| | | | | | |
|---|---|---|---|---|---|
| Austria | Sch24 | Indonesia | Rp3100 | Pakistan | Rs35 |
| Bahrain | Din0.700 | Iran | Rls210 | Philippines | Pes40 |
| Belgium | BFr55 | Israel | Shk2.50 | Poland | Zl 9,000 |
| Cyprus | C£0.90 | Italy | L2000 | Portugal | Es185 |
| Denmark | DKr12.00 | Jordan | JD1 | Qatar | QR9.50 |
| Egypt | E£3.25 | Kuwait | Fils.500 | S.Arabia | SR7.00 |
| Finland | FM8.50 | Lebanon | L£400.00 | Singapore | S$4.10 |
| France | FFr7.50 | Lux | LFr55 | Spain | Pta165 |
| Germany | DM2.60 | Malaysia | M$4.25 | Sweden | SKr12 |
| Greece | Dr150 | Morocco | MDh8.00 | Switz | SFr2.50 |
| Hong Kong | HK$12 | Neth | Fl 3.25 | Thailand | Bht50 |
| Hungary | Ft107 | Nigeria | Naira10 | Tunisia | Din0.200 |
| Iceland | IKr180 | Norway | NKr12.00 | Turkey | L2000 |
| India | Rs15 | Oman | OR1 | UAE | Dh7.00 |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

FT No. 31,257



Friday September 21 1990

D 8523A

**PERESTROIKA**

**Soviets' bumpy road to the free market**

Page 23

World News · Business Summary

## ANC to meet Buthelezi at summit in peace effort

The African National Congress (ANC) has announced it will meet Chief Mangosuthu Buthelezi, leader of the Zulu Inkatha Freedom Party, in a dramatic move aimed at ending violence which has left over 750 people dead in the past five weeks. **Page 24**

### Iraqi revenge threat

Iraq threatened to destroy oilfields throughout the Gulf if attacked and said it would use all weapons at its disposal. **Page 2**

### US ordered out

The Philippines told the US to leave its Clark Air Base within a year, saying it intended to repossess the facility and convert it to civil aviation use. **Page 10**

### Poll may fail

A senior government official said President Omar Bongo was likely to scrap Gabon's first multi-party general elections, held last Sunday amid poll chaos and opposition charges of ballot-rigging.

### Genocide charge

The Brazilian Attorney General has brought charges of genocide against the national Indian Welfare Agency (Funai), for failure to stop the Yanomani Indians of Northern Brazil being wiped out. **Page 6**

### Sri Lankans killed

About 40 men, women and children in a Sri Lankan fishing village in north-western Puttalam district were shot and hacked to death by Liberation Tigers of Tamil Eelam rebels, military sources said.

### Editor kidnapped

Francisco Santos Calderón, 28-year-old news editor of Colombia's national daily newspaper, El Tiempo, was kidnapped by armed men, who shot dead the driver of his car. **Page 4**

### Soviets attack plan

The Soviet Government launched a furious counter-attack on radical plans for an immediate transformation of the Soviet economy. **Page 10**

### Nato warns EC

Nato warned the European Community that, in the field of security, it should not try to run before it had learnt to walk. **Page 10**

### Labour laws revised

The South African Government accepted recommendations involving big changes to the country's labour laws. **Page 11**

### Typhoon kills 32

Typhoon Flo, the most powerful to hit Japan in two decades, swept through Tokyo and across the main island of Honshu, killing 32 people.

### Unity treaty ratified

East Germany's parliament ratified the treaty of unification with West Germany, clearing the way for the former Communist state to join the Federal Republic.

### Mob kills soldier

Palestinians in Bureij refugee camp in the occupied Gaza Strip stoned and burned an Israeli soldier to death in his car after he hit and injured two children.

## Reichmanns plan $400m sale of US real estate

Members of the Reichmann family of Canada, which controls Olympia & York (O&Y), the giant Toronto-based real estate empire, have retained the services of Lazard Frères in New York to sell more than $400m worth of US commercial real estate.

Mr John Zucotti, president of O&Y USA, denied that the company itself was making any sales or that it was facing cash flow troubles. **Page 26**

**UK UNIT TRUSTS:** The value of unit trust funds under management fell by £6.6bn ($12.4bn) to £49.7bn ($93.4bn) last month, according to figures from the Unit Trust Association, which blamed the drop on the Gulf crisis, the largest monthly fall since the stock market crash of October 1987. **Page 23**

**NEC**, the Japanese electronics company, announced two Chinese joint venture contracts, with investments totalling about Y34.3bn ($248.5m), to produce digital electronic switching systems and large-scale integrated circuits. **Page 3**

**CARDO**, the Swedish holding company, is discussing merging its Nife batteries division with Saft, the batteries subsidiary of France's Compagnie Générale d'Electricité (CGE). **Page 26**

**PHILIPS**, Dutch electronics group, is to sell its remaining 15 per cent share in a Netherlands-based joint venture with AT&T of the US to AT&T for an undisclosed sum. **Page 26**

**THOMSON-CSF**, state-controlled French company which is Europe's largest military electronics manufacturer, is understood to have dropped a plan to purchase MEL, the UK military electronics company, a subsidiary of the Dutch Philips group. **Page 12**

**TRUMP Organisation**, the deeply indebted empire of New York-based property developer and casino operator Donald Trump, is seeking the restructuring of a $245m loan just weeks after a cash injection of $65m. **Page 27**

**BRITISH GAS** has unveiled plans for a big expansion of its operations in the US, as part of its strategy of creating a large exploration and production arm. **Page 24**

**MINORCO**, Luxembourg-quoted offshoot of the Anglo American Corporation of South Africa, reported an advance in net earnings for the year to June 30 to $784.4m after taking account of extraordinary net gains of $555.2m. **Page 28**

**RMC**, the world's biggest producer of ready-mixed concrete, reported a 5.4 per cent fall in pre-tax profits for the six months to June 30 to £109.3m ($205.5m) from £115.5m ($217.1m). **Page 34**

**GUINNESS**, the international drinks group, reported interim pre-tax profits of £322m, ($605.36m) 31 per cent higher than last time. **Page 32**

**GLAXO**, the world's second largest pharmaceutical group, reported an advance of 13 per cent pre-tax profits for the year to the end of June to £1.14bn ($2.14bn). **Page 31**

# Polly Peck chief quizzed by UK fraud investigators

**By Our Financial and Industrial Staff**

POLLY PECK International, the UK fruit trading and consumer electronics group, was last night facing the worst crisis in its turbulent history as Mr Asil Nadir, chairman and largest shareholder, was interviewed by Britain's Serious Fraud Office.

News of his visit coincided with a collapse in the Polly Peck's share price. It lost more than half of its market value, falling from £1.05bn ($1.97bn) to less than £468m ($880m) before trading was suspended during the afternoon at 108p, down from 243p. In the past six weeks, the share price has fallen by 75 per cent.

Yesterday's fall left Mr Nadir himself £165m poorer on paper. He left the SFO's headquarters in Elm Street, central London, after several hours of questioning. He sat smoking a cigarette in the back of a red Astra which followed his own car.

The SFO said that Metropolitan Police officers had searched the Berkeley Square offices of South Audley Management, a property company indirectly linked to Mr Nadir, on Wednesday.

Both South Audley, and share dealings of at least one former director of the company have been investigated by the insider dealing group of London's Stock Exchange. South Audley is indirectly owned by Nadir family trusts of which Mr Nadir is not now a beneficiary. But he could become so under certain circumstances.

Polly Peck said yesterday it had promised the Stock Exchange to make a statement explaining the suspension by no later than the close of trading today. The statement is expected to include an explanation of any relationship between Polly Peck directors and South Audley.

Nadir: withdrew takeover bid for Polly Peck

It also emerged yesterday that the Turkish Government has made representations to 10 Downing Street, the British Prime Minister's office, about what it considers to be a propaganda campaign against Mr Nadir, manipulated by Greek Cypriot interests.

Mr Nadir, a Turkish Cypriot, is a political ally of President Turgut Ozal and Polly Peck has extensive business interests in Turkey and northern Cyprus. Mr Nadir has also built up a personal press and industrial empire in Turkey. A Downing Street spokesman would neither confirm nor deny that it had been approached by Turkey.

Mr Mark Ellis, Polly Peck's US-based corporate development director and one of Mr Nadir's longest serving colleagues, was last night flying to London by Concorde for a crisis board meeting scheduled for this afternoon.

Last month, Mr Nadir signalled his intention to make a takeover bid for Polly Peck but withdrew it only five days later. His actions were later criticised by the Stock Exchange's quotations panel

**Continued on Page 24**
**Lex, Page 24; The share price fall, Page 25**

# Share prices slump to year's low

**By our Financial and Foreign Staff**

WORLD stock markets lurched lower yesterday as concern mounted about economic and corporate health risks in an inflationary and perhaps recessionary environment.

Many European centres saw prices at their low for the year with markets in Frankfurt, Milan and Paris closing down around 2 per cent.

In London, the FT-SE 100 Index slumped to its lowest point since February 1989, ending 48.9 points lower at 2,016.9, a fall of 2.4 per cent.

The US market suffered as investors reacted to the sober assessment of the economy on Wednesday by Mr Alan Greenspan, chairman of the Federal Reserve.

At midsession, the Dow Jones Industrial Average stood 34.40 points lower at 2,523.02. Selling hit the broad market but the declines in major indices were exacerbated by computerised programme trading in a thin market because of observance of the Jewish new year.

Mr Greenspan had told the Joint Economic Committee of Congress that the US was moving closer to recession but also that inflation was creeping higher. His remarks convinced many equity investors that the Fed is not planning to lower interest rates and prompted many stock analysts to lower their estimates for US corporate profits this year and next.

Overnight trading in the Far East had also been depressed. In Tokyo, worries about banks' capital ratios again featured as the Nikkei average fell 123.19 to a new low for the year of 23,602.98. Several banks hit their lows for the year, including Industrial Bank of Japan, whose loss of Y250, or 10 per cent, to Y2,240 was the heaviest fall in yesterday's market.

Elsewhere in the Pacific Basin, Taiwan's weighted index plunged 202.55, or 6.4 per cent, to 2,956.72 on worries about its relationship with communist China.

Among the European bourses, Frankfurt saw disquiet about individual shares, especially those which had risen on perceived expansion prospects in eastern Europe. Philipp Holzmann, the construction group, fell 9 per cent to DM1,320.

Like Frankfurt, Paris seemed to be seeing more business on the downgrade. Volume was said to be higher as the CAC 40 index dropped 29.68, or 1.9 per cent to 1,540.60.

In Milan, fears that Italy would be badly hit by oil prices were compounded by the International Monetary Fund's World Economic Outlook, released on Wednesday, which said that Italy would be hit harder than its European counterparts.

In Belgium, concerns for the construction sector pulled Glaverbel, the glassmaker, down BFr250 to BFr2,000. The cash market index fell 34.87 to a year's low of 5,211.19.

In London, some market analysts believe the FT-SE 100 index could drop to 1,900 before it begins to recover, but they cautioned investors against overreaction.

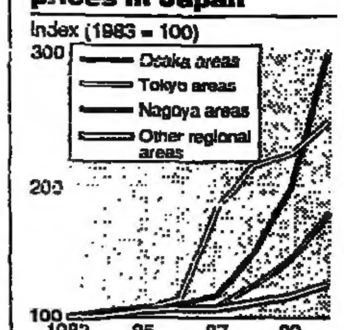
Some City observers laid the blame for market nervousness on Wednesday's comments by Mr Karl Otto Pöhl, Bundesbank president. He suggested that Britain would be unable to join the European exchange rate mechanism while inflation remained high.

But others said Mr Pöhl had merely stated the obvious and claimed general uncertainty worldwide, exacerbated by the crisis in the Gulf, was the main culprit.

Among individual UK shares, Polly Peck was only one of many companies to record double figure percentage falls while doubts over property loans added to the misery in the banking sector.

**London plans new indices, Page 24; Lex, Page 24; Background to the falls, Page 25, London Stock Exchange 41-43; World Stock Markets, Page 49; Market reports, Back page, Section 2,**

**Residential land prices in Japan**
Index (1983 = 100)




Source: Nihon Keizai Shimbun

## Tokyo land prices fall as provinces rise 13.7%

**By Stefan Wagstyl in Tokyo**

LAND PRICES in central Tokyo fell by 0.1 per cent in the year to June, but rose strongly across the rest of Japan as the cost of land in provincial cities soared in the wake of increases posted in previous years in the capital.

The average increase was 13.7 per cent, the highest ever recorded, according to a report published this week by the National Land Agency.

The figures for Tokyo confirm that the price surge which began in the mid-1980s is almost certainly over, extinguished by a combination of falling yields, rising interest rates and regulatory curbs. Prices in other areas are now also expected to stagnate or decline. Reports from property brokers indicate that in Osaka and elsewhere, as in Tokyo, prices are off their peaks.

The Bank of Japan wants to see prices fall, because it believes they rose unsustainably high, but is concerned that they should not come down too fast for fear of causing widespread financial failures. "We want to see a gradual decline," said a senior central bank official this week.

The strength of the price increases in provincial cities recorded in the land agency's report indicates how powerful demand for investment property remained even after the central bank started raising interest rates in spring 1989.

In Osaka and its suburbs the average price of residential land rose by 48.2 per cent following a 37.3 per cent rise the previous year. Demand, fuelled by purchases of flats for investment, was so great that on the survey date the average cost of housing land in Osaka exceeded the average cost in the Tokyo region, for the first time.

**Continued on Page 24**
**Japan's reservoir loses its depth, Page 23**

## Brussels to vet all big mergers and takeovers in Europe

**By Guy de Jonquières, Maggie Urry in London and Lucy Kellaway in Brussels**

THE EUROPEAN Commission today acquires wide-ranging powers to control large mergers and takeovers involving companies with operations in the European Community.

All proposed mergers between companies with combined annual sales of Ecu5bn ($6.6bn) or more must be notified promptly to the Commission, which may block or modify deals which it judges would damage competition. The Commission expects to vet about 50 deals a year.

Only hours before the rules came into force, the British Government referred two proposed transactions which would have met these criteria to the Monopolies and Mergers Commission, the body which examines competition issues arising out of takeovers. Brussels officials were careful not to express anger at what was a clear move to retain sovereignty while there was still the chance.

The UK body will examine the proposed bid by Tate & Lyle, the sugar and sweeteners group, for British Sugar, the sugar beet refining subsidiary of Berisford International; and the planned joint venture between British Aerospace and Thomson-CSF of France in guided weapons systems.

A third, smaller, deal was also referred to the MMC: the proposed sale by Imperial Chemical Industries of its fertiliser division to Kemira, the Finnish state-owned group.

Under the new powers, Brussels will have the legal right to obtain large amounts of sensitive commercial information about mergers, to conduct detailed investigations into the companies involved and to fine them heavily if they fail to comply with the rules.

The Commission argues that the need for its expanded authority, which it has sought for the past 17 years, is increased by the advent of the single market in 1992 and by the rapid recent growth of mergers and acquisitions in Europe.

A growing number of these mergers is between companies in different countries. Last year, there were almost 1,300 cross-border deals in Europe, with a total disclosed value of

**Continued on Page 24**
**The new EC merger control special is on Page 8**

# Bonn supports Bundesbank on EMU, warns of rate tensions

**By David Marsh in Bonn**

WEST GERMANY demonstrably toughened its line on European monetary union (EMU) yesterday as the Finance Ministry and Chancellor Helmut Kohl's office closed ranks in support of the Bundesbank's rigorous conditions for moving towards a European central bank.

At the same time, a Bonn official pointed to the risk of "tensions" at this weekend's annual International Monetary Fund meeting in Washington over the US desire to cut interest rates to thwart domestic recessionary pressures.

Mr Horst Köhler, the State Secretary at the Finance Ministry, said neither West Germany, Japan nor Britain wanted to ease credit policies at the moment. In a reference to the danger of a further fall in the dollar, he said an isolated move by the US to reduce interest rates would cause "problems."

On EMU, Mr Theo Waigel, the Finance Minister, said he supported the Bundesbank's statement on Wednesday calling for greater European convergence in fiscal as well as monetary policies.

Reaffirming Bonn's opposition to setting down a firm timetable for proceeding towards the somewhat nebulously defined "Phase Two" of the EMU process, Mr Waigel said that "ideas about dates are less important than the [economic] criteria. Setting dates will not bring about convergence."

An official at the Chancellor's Office said the Bundesbank statement corresponded to the Bonn Government's ideas that economic convergence was a necessary precondition for EMU.

"This is what we have always said," he affirmed. The principle of reducing budget deficits was as important as the other criteria of commitment to monetary stability and independence of the mooted European central bank, the official added.

He denied that Mr Kohl was backtracking from a joint declaration with President François Mitterrand of France in April which vigorously advocated a "fast track" approach towards European union.

For Bonn, the statement represented a vital way of winning full backing from Paris for German unification. It stated as the "objective" that economic and monetary union as well as political union "should come into force on January 1 1993, after ratification by national parliaments."

The April statement, which was worked out in secret between the Chancellor's Office and the Elysée Palace, was always regarded sceptically by the Bundesbank and Finance Ministry, particularly because neither was consulted.

Mr Waigel referred pointedly to the split with Mr Hans-Dietrich Genscher, the West German Foreign Minister, who favours setting a definite date of January 1 1993 for moving to "Phase Two" of EMU. The Government was always "well advised" to listen to the Bundesbank, Mr Waigel said, "and that goes for the Foreign Ministry as well."

**Bundesbank adds a voice, Page 10**

**Weekend FT**

**Tomorrow: Between a rock and a hard place — Joe Bossano, Gibraltar's chief minister**

**Winter in August: ski-ing Down Under**



CONTENTS



**Latin America has another try at regional integration**

President Carlos Menem of Argentina (left) is taking a remarkably pragmatic line in joining Brazil, Paraguay and Uruguay to form a common market in four years, with full economic and political union as its objective

**Page 3**



MARKETS

**STERLING**
**New York lunchtime:**
$1.88
**London:**
$1.869 (1.885)
DM2.955 (2.955)
FFr9.8825 (9.8975)
SFr2.4675 (2.46)
Y255.50 (259.25)
£ index 93.7 (94.0)

**GOLD**
**New York:** Comex Dec
$394.2 (391.4)
**London:**
$387.25 (386.75)

**N SEA OIL** (Argus)
Brent 15-day Nov
$33.00 (32.475)

Chief price changes yesterday: Page 21

**DOLLAR**
**New York lunchtime:**
DM1.5825
FFr5.298
SFr1.3247
Y137.235
**London:**
DM1.5805 (1.568)
FFr5.2875 (5.25)
SFr1.32 (1.3055)
Y136.80 (137.55)
$ index 62.9 (62.8)
Tokyo close: Y137.05

**US lunchtime rates**
Fed Funds $8\frac{1}{8}$%
**3-mo Treasury Bills:**
yield: 7.61%
**Long Bond:**
$97\frac{7}{32}$
yield: 9.01%

**STOCK INDICES**
**FT-SE 100:**
2,016.9 (−48.9)
**FT Ordinary:**
1,531.1 (−45)
**FT-A All-Share:**
976.33 (−2.4%)
**New York lunchtime:**
DJ Ind. Av.
2,522.77 (−34.66)
S&P Comp
312.36 (−4.24)
**Tokyo:** Nikkei
23,602.98 (−123.19)

**LONDON MONEY**
**3-month interbank:**
closing $14\frac{29}{32}$
**Liffe long gilt future:**
$82\frac{23}{32}$ ($82\frac{1}{32}$)

# Europeans stress need for combined naval command

By Our Foreign Staff

*THE European armada* patrolling the Gulf could be wide open to Iraqi air and missile strikes unless the 32-ship force is put under combined command, the Western European Union (WEU) said yesterday.

It recommended the 32 warships dispatched by WEU members – and now under six national commands – be supervised by commanders-in-chief in each of the zones of the Gulf and the Red Sea where they are enforcing the United Nations embargo against Iraq.

The warning came as Mr Tom King, the British Defence Secretary, prepared to meet Mr Dick Cheney, his US counterpart, in Washington to discuss the likely chain of command which has been "complicated" by the addition of British ground troops and heavy armour.

"We will be discussing what the on-the-ground control ought to be if we do get into a fighting situation. That must be clear," he said before he left London.

"Obviously, as we are both there at the invitation of Saudi Arabia, it is important that we have their co-operation and respect their wishes in this."

It appeared likely that Mr King would accept the need for Britain's forces to come under a US supreme command.

Iraqi President Saddam Hussein meanwhile defiantly declared that he was ready to wage war against the US for years if fighting broke out in the Gulf.

Reacting to US President George Bush's statement that he was ready to take "additional steps" if the UN trade blockade and diplomacy failed to force Iraq out of Kuwait, Mr Saddam referred to the eight-year war with Iran.

"If need be, we will fight for three, four, five or six more years," he told Mr Bulent Ecevit, former Turkish prime minister.

Earlier, Baghdad said the Iraqi leader had recorded a message to the American people and negotiations were under way to have it screened on US television.

● Mr Manfred Wörner, Nato secretary-general, will travel to Washington on Wednesday to meet President Bush and other top US officials, the alliance announced yesterday.

Nato said Mr Wörner would also go to New York to talk to the foreign ministers of the 16 alliance nations before a meeting of the Conference on Security and Co-operation in Europe.

# Cairo predicts $10bn losses ahead of IMF meeting

By Tony Walker in Cairo

EGYPT predicts its losses from the Gulf crisis for fiscal 1990-91 will reach a staggering $10bn (£5.3bn) and says its citizens employed in Kuwait and Iraq may have lost a similar amount in fixed assets and bank deposits.

Official government figures reveal much graver economic consequences than admitted thus far, but western economists in Cairo warn that account has to be taken of Egyptian attempts to put its losses in the starkest possible light ahead of important IMF and World Bank meetings in Washington.

According to a summary to be presented in Washington, Egypt expects its foreign currency receipts to decline by $4.52bn in 1990-91 and expects to spend $4.7bn more absorbing the 600,000 Egyptians who are expected to return from the Gulf.

Egypt arrived at the projected $4.5bn losses of foreign currency by adding an expected decline in remittances from the Gulf of $2.4bn to an estimated reduction in tourist receipts of $1bn, a drop in Suez canal income of $300m and additional losses from such miscellaneous items as the termination of trade and airline services with Kuwait and Iraq.

The Egyptian government document, in its prediction that 600,000 Egyptians will return home – so far 240,000 have done so from Iraq and Kuwait – estimates that there are 1.2m Egyptians working in Kuwait, Iraq and Jordan. It says that about $7,407 is needed to create one job in Egypt.

Added to this is Cairo's pledge to employ all returning Egyptians who were previously employed in government jobs, at a total estimated cost of about $240m.

On the eve of the IMF and World Bank deliberations, Egypt said it would be seeking a speedy conclusion to its negotiations with the Fund on a new standby credit, which would in turn open the way for a rescheduling of part of its official debt.

It would also be seeking from donor countries an increase in cash and commodity grants, an increase in soft credits, and contributions to a "Social Fund" which is intended to help absorb returning Egyptians.

# Egyptians count the cost of losing Iraqi jobs

## Egypt gains on oil sales but loses on remittances, reports Tony Walker

MOHAMMED Hassan Abdul Baky sat in his unfinished house in the oasis town of Sennouris, and lamented the fate that had befallen him and thousands of his fellow countrymen who are among the unwitting victims of the Gulf crisis.

For the 58-year-old, grey-haired schoolteacher, his wife Nabila and seven children, a relatively comfortable life in Kuwait came to a jarring halt on the morning of August 2, the day of the Iraqi invasion. Dreams of a secure retirement in his new two-storey house in Sennouris, west of Cairo, were punctured.

"I don't even want to think about working," said Mr Baky, still recovering from sunstroke after fleeing Kuwait across the desert to Jordan. "All I'm thinking about at the moment is going back, but if the worst comes to the worst I'll work here in one of the schools."

This is a typical scene in household after household across Egypt, as teachers, workers and farmers come to terms with the sudden upheaval in their lives. The country itself counts the cost of lost remittances from those returning who were among the 1m or so of its citizens employed in Iraq and Kuwait.

For cash-starved Egypt, which has been receiving about $3.5bn (£1.9bn) annually from remittances, forecast losses of up to $2.4bn represents a serious setback, even allowing for considerable exaggeration at a time when donor countries such as Japan are deciding how much aid to give to the needy. Taken together with a sharp drop in earnings from tourism, hit hard by fears of Middle East violence, and reduced revenues from the Suez canal, the picture is not very promising.

The news for Egypt is not, however, all bad. As an oil exporter of about 200,000 b/d, it is receiving an unexpected windfall from the surge in prices, estimated by one western economic attaché in Cairo at about $100m a month. Aid flows have also resumed: Saudi Arabia has reportedly made a $100m down payment, with the promise of more to follow.

The exiled Kuwaiti government is also said to be giving generously to a country that is leading the Arab opposition to the Iraqi invasion. Several west European nations are taking a more benevolent view of Egypt's stuttering economic reform programme and have relaxed restrictions on new credit.

Most important the US administration has proposed that Egypt's crushing $7.1bn foreign military sales (FMS) debt be forgiven. If Congress agrees, this would mean a saving of some $700m a year in repayments.

Egypt's banks are also benefiting from the crisis, as many of the 240,000 workers who have returned home from Iraq and Kuwait have brought their funds with them.

But while all these details may suggest that Egypt's predicament is not as bad as at first feared, there is no question that on the streets of Cairo and other towns, and in small farming hamlets, the Gulf crisis is causing real hardship. According to a recent study some 30 per cent of income of rural households depends on remittances.

In Sennouris, in the Faiyoum oasis about an hour's drive from Cairo, returning farm workers from Iraq were complaining bitterly about their financial predicament. Many had not been paid by the Iraqis and were not confident they would ever receive funds owed to them.

Nasr Allah Bayouni, a 30-year-old farmer, came home earlier this month from Iraq from a job where had been earning more than $30 a day, to the prospect of work in the Egyptian countryside for a fraction of his Iraqi wage. "You can't live on the money they pay here," he said.

But Mr Bayouni had absolutely no desire to return. Instead, he was thinking of going to Libya to look for work. "Even if they give me a billion dollars a year," he declared, "I wouldn't go back to Iraq."

# Iraq 'will destroy oilfields'

By Richard Gourlay

IRAQ yesterday threatened to destroy oilfields throughout the Gulf if attacked and said it would use all weapons at its disposal.

"Iraq's strategic plan if it is attacked militarily is to destroy all oilfields in the region," Mr Latif Nassif Jassem, the Information Minister, was quoted as saying by the Jordanian news agency.

Oil industry analysts said damaging an oilfield would be difficult but that refinery facilities and pipelines are considerably more vulnerable.

Obvious targets would be the industrial and refining complexes at Jubail and Ras Tanura along the east coast of Saudi Arabia, but the density of US troops deployed nearby might rule this out.

More vulnerable would be the pipelines across Saudi Arabia to the Red Sea port of Yanbu which carries 2m-3m barrels a day of crude oil for export, although they would be relatively easy to repair if breached.

The pipelines were used to carry Iraqi crude for export until the crisis, when the Saudi government cut the flow of Iraqi oil.

More likely is damage to the refineries in Kuwait as part of a scorched-earth policy, should Iraqi troops leave the country.

The oil markets are rife with speculation that Iraq has started stripping the refineries. Before the invasion, Kuwait was exporting around 750,000 barrels a day of products from refineries which analysts say could cost over $2bn to rebuild.

In oil markets yesterday, the benchmark North Sea Brent crude price for November closed $0.525 higher at $33. Traders said unconfirmed reports of corrosion problems on Saudi Arabian pipelines had helped to boost a nervous market.

Petroleum products markets showed increasing signs of shortages in Europe.

# Doubts over insurance as airline is abolished

By Richard Lapper

THE apparent abolition by the Iraqi authorities of Kuwait Airways has added to the confusion surrounding a multi-million dollar insurance payout by underwriters at the Lloyd's insurance market in London.

Iraq abolished Kuwait's national airline and merged its aircraft and other assets with Iraqi Airways yesterday, according to Al-Neda, a daily newspaper published in occupied Kuwait.

The announcement came just a day after London insurers agreed to pay their portion of a $300m (£160m) insurance claim compensating Kuwait Airways for the loss of 15 aircraft confiscated by Iraq on August 2. There is now some uncertainty as to whether the insurance payout will go ahead.

A total of $228m, which would represent the biggest insurance claim to result from the current round of hostilities in the Gulf, is at stake.

Insurance on the aircraft was originally placed by Kuwait Airways with the Kuwaiti Insurance Company and four other local insurers. Insurance brokers Willis Faber & Dumas placed reinsurance and war risks reinsurance in the London insurance market on behalf of the Kuwaiti insurers.

Merrett Underwriting Agencies, which manages the Lloyd's syndicate that led the reinsurance policy, agreed to settle the claim on Tuesday, subject to "satisfaction on entitlement, legitimacy of payment, and appropriate safeguards".

Although Merrett denies there is any dispute about the claim itself, the effective disappearance of Kuwait Airways in Kuwait could create doubt about whom the claim should be paid to.

The Bank of England withdrew permission for payments to be made to either Kuwaiti or Iraqi insurers and reinsurers as well as assureds resident in these countries without DTI permission on September 13.

# Oil price rises 'will hit growth rates in Europe'

By Lucy Kellaway in Brussels

THE recent $10-a-barrel rise in the oil price could knock 1.5 percentage points off European growth rates if sustained for a year, Mr Antonio Cardoso e Cunha, the EC Energy Commissioner, warned yesterday.

In the Commission's first official response to the oil crisis, Mr Cardoso said that every $10 price rise would reduce directly economic growth by 0.5 points, but that the indirect effects made the total two to three times as large.

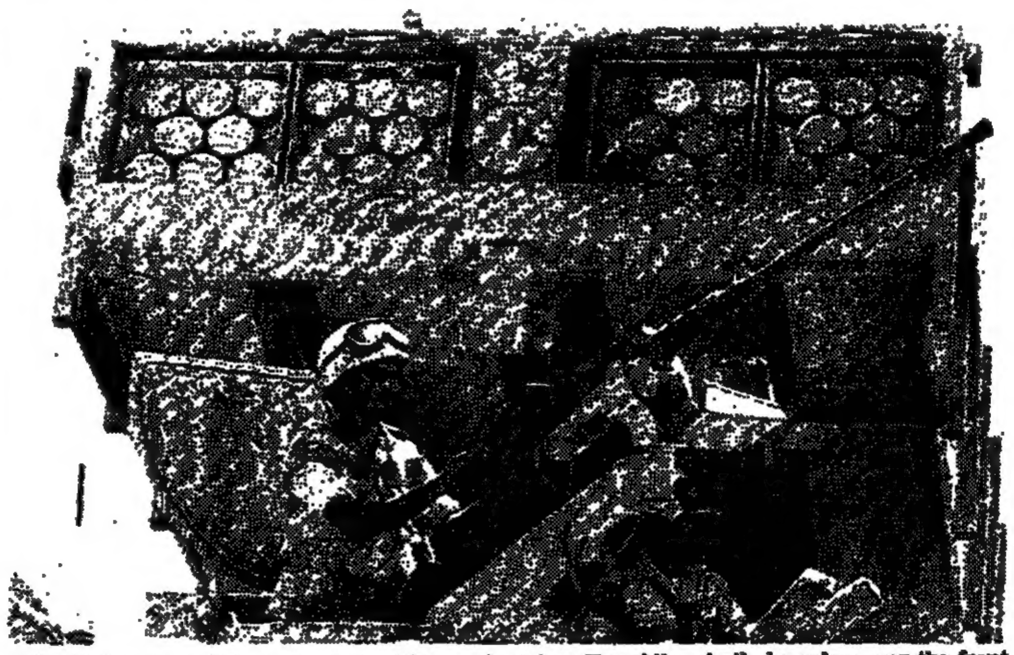
He said oil prices would remain at least at their present levels, although they would start to rise again with any increase in hostilities. This contrasts with earlier Commission efforts to try to talk down the oil price.

The commissioner said a package of energy-saving measures would be put to ministers at the next energy council, at the end of next month.

The modest proposals come despite rising pressure on the commission and the council to act.

Earlier this week Mr Willy Claes, the Belgian foreign minister, wrote to the Commission and to the Italian president of the Council pressing for an urgent meeting so that firm action could be taken.

Mr Cardoso spoke out against any need to start running down strategic oil stocks. To do so would have a bad psychological effect on the market by sending out a "destabilising signal".



A Saudi Arabian soldier mans a Brazilian-made Astras II mobile missile launcher near the front line in the desert

# British company worker faces trial

By Jimmy Burns

AN employee of a British company which has been operating in Iraq throughout the Gulf crisis is to be put on trial for trying to leave the country without a visa.

The employee, who has an Irish passport, was working as an administrator for the Rotary Group, one of several companies involved in a £150m project to build a new administrative palace for President Saddam Hussein.

Rotary, which has its head offices in Northern Ireland, said last night it was "very concerned" about the case after being told by lawyers in Baghdad that the employee could face a maximum prison sentence of 15 years if found guilty.

Rotary, together with the construction group Mivan, the other UK company involved in the palace project, may have to write off up to £3m in outstanding payments owed by the Iraqis. Rotary said it also expected £300,000 of vehicles and machinery to be seized.

British companies now appear to accept that contracts in which they were involved, but which were not yet completed, will now have to be abandoned.

Biwater, which has continued its contractual involvement with two big water-treatement works in Iraq said last night that its main priority now was to get 25 employees out of the country.

## NEWS IN BRIEF

### Saudis win 'full support' from China

CHINA voiced its "full support" yesterday for measures taken by Saudi Arabia to defend itself against Iraq, Prince Saud al-Faisal, Saudi Foreign Minister, said during an official visit, Reuter reports from Peking.

Diplomats said China had apparently softened its position. Previously it had criticised what it called "big power" involvement in the Gulf, meaning the deployment of US forces.

### Refugees' housing problem

The new influx of Kuwaiti refugees has stretched the Saudi Government's ability to provide some 300,000 Kuwaitis in Saudi Arabia with adequate housing, Lara Marlowe reports from Khafji. Saudi officials said an additional 14,000 refugees had entered the kingdom since the Iraqi occupation army re-opened the coastal highway between Kuwait and Saudi Arabia at the weekend.

### German compensation study

The West German Economics Ministry is looking at the claims of companies which have lost business through the boycott of trade with Iraq and Kuwait to see if there is any basis for providing compensation, Andrew Fisher reports from Frankfurt.

About 40 companies have approached the ministry with claims that range from DM80,000 to DM30m (£10.1m).

### Arab partnership revived

Four Arab countries are reviving the Arab Organisation for Industrialisation, a military manufacturing partnership that will make weapons for Kuwaitis resisting Iraqi occupation, reports AP from Cairo.

Egypt's partners in the joint venture are Saudi Arabia, the United Arab Emirates and Qatar. Egypt and the three Gulf states founded the organisation in 1975.

### Iraq thrown out of games

The Olympic Council of Asia yesterday threw Iraq out of the Asian Games, which open in Peking in two days, Reuter reports from Peking. The OCA general assembly voted by 27 to 3 to suspend Iraq from the Games over its annexation of fellow OCA member Kuwait.

### Jordan, Algeria, Morocco meet

A meeting of Algeria's President Chadli Bendjedid, Jordan's King Hussein and Morocco's King Hassan II, ended yesterday without a final communiqué on the Gulf crisis, agencies report from Rabat.

The three participants conferred in King Hassan's summer residence near Rabat for nine hours. Sources said they discussed a possible peace plan that would include a face-saving formula for Iraq's Saddam Hussein.

### Captured minister dead

The International Committee of the Red Cross has told Iran its former oil minister Mohammad Javad Tondguyan, taken prisoner by Iraq in 1981, is dead, Deputy Foreign Minister Manuchehr Mottaki said yesterday, Reuter reports from Nicosia.

The official Iranian news agency IRNA quoted Mr Mottaki as saying the ICRC had told the foreign ministry that "engineer Tondguyan has been martyred".

# Tokyo, GCC set up fund to distribute Japanese contributions

By Ian Rodger in Tokyo

THE Japanese government and the Gulf Co-operation Council (GCC) are creating a fund to distribute Japanese contributions to the costs of US and other forces operating in the Gulf region.

The Gulf Peace Fund is set to receive nearly $900m (£486m) of the $1bn pledged by Tokyo on August 29, and will probably receive a large portion of the further $1bn pledged last Friday.

The fund is being set up mainly because the Japanese government has no legal framework enabling it to make direct contributions of cash and goods to foreign governments, other than those of developing countries.

Also, the fund's administrators will be able to allocate money in ways that might cause controversy if selected by the government directly. For example, if the government hired aircraft to carry military equipment or ammunition, some in Japan might feel that this breached the country's pacifist constitution.

The fund will be administered by a committee composed of the Japanese ambassador in Saudi Arabia, Mr Takashi Onda, and GCC secretary general Mr Abdulla Yaccomb Bishara. The GCC embraces Saudi Arabia, Bahrain, Qatar, Oman, the United Arab Emirates and, before the invasion, Kuwait.

The committee is expected to use about half of the money to buy and transport materials and equipment for the forces. For example, it will pay for the 800 four-wheel-drive vehicles shipped from Nagoya to Saudi Arabia two weeks ago.

The other half is to be handed over to other governments to enable them to buy goods and services for their efforts in the Gulf.

In keeping with Japan's constitution, the fund will not be allowed to allocate money for purchases of ammunition or military equipment. However, it will be allowed to pay for the transport of military equipment.

Japanese officials acknowledge that by far the largest portion of the funds will be allocated, either directly or indirectly, in support of the US forces.

The US government put tremendous pressure on Tokyo last month to contribute to the costs of its forces in the Gulf. US and Japanese officials have been working closely on lists of items, such as refrigerators, air-conditioning equipment, tents, portable generators and water purification equipment, that Japan could buy and deliver.

The remaining $100m of the first $1bn pledge will be administered directly by the Japanese government, and will be used to buy and transport, among other things, medical teams and supplies.

# NEC and China agree electronics joint ventures

**By Robert Thomson** in Tokyo

NEC, the Japanese electronics company, yesterday announced two Chinese joint venture contracts, with investments totalling about Y34.3bn (£132m), to produce digital electronic switching systems and large-scale integrated circuits.

The contracts – subject to approval by the Japanese Government and Cocom, the Paris-based organisation which monitors the export of sensitive products with potential strategic applications – will significantly advance China's computer and telecommunications industries, and are the first of their kind with a Japanese electronics company.

NEC will take a 40 per cent share in a Y26bn venture with Peking's Capital Iron and Steel Works to produce large-scale integrated circuits (LSI), which could be used in a wide range of consumer electronics and telecommunications equipment.

Depending on approval for the technology transfer, the plant will produce 25m of the integrated circuits in the first year of operation and 50m annually after four years. After the fourth year the joint venture company, the Shougang-NEC Electronics Company, is expected to employ 800 people.

Two European companies, BTM of Belgium and Philips, have already established joint ventures to produce LSI, but the NEC investment will be particularly welcomed by the Chinese Government, which has long complained about the reluctance of Japanese companies to transfer high-technology.

The second NEC joint venture will be based in the northern port city of Tianjin. It will produce digital electronic switching systems needed to overhaul China's antiquated telephone system.

NEC will have a 35 per cent share, the Tianjin Zhonghuan Computer company will hold 45 per cent, the Tianjin Post and Telecommunications Administration will have 15 per cent, and Sumitomo Corp, the Japanese general trading house, will take 5 per cent.

The venture is expected to produce 50,000 lines in its first year of operation and 300,000 annually after four years, although plans will also need Japanese Government and Cocom approval.

An NEC spokesman said the company was confident approval would be granted.

# UK media groups lift overseas earnings

**By Raymond Snoddy**

FILMS such as Shirley Valentine and Great Expectations helped push the total overseas net earnings of UK film and TV companies up to £77m last year, from a revised £49m in 1988.

The overseas receipts of film companies increased from £230m in 1988 to £263m last year, while overseas expenditure rose from £188m to £204m.

For TV companies, net overseas earnings rose from £7m in 1988 to £18m last year.

The annual survey from the Central Statistical Office also found an increase in overseas receipts from both western Europe and North America.

Just under a third of total overseas receipts came from EC countries in 1989, with North America accounting for less than half.

Before 1985 North America had accounted for a much higher proportion of overall receipts.

Last year 57 per cent of income from overseas screening of British films came from cinema and video release, 37 per cent from terrestrial TV, and the rest from cable and satellite.

# Collor and Menem pragmatic on common market

**John Barham** on South American plans to form a common market withthe ultimate aim of economic unity

BRAZIL, Argentina, Paraguay and Uruguay plan to form a common market in four years, with full economic and political union as the final objective.

Committees will meet regularly to hammer out common policies on issues that range from the recondite – like weights and measures – to trade-related monetary and fiscal policies.

As befits the austere times, Mr Juan Schiaretti, chief Argentine integration negotiator, said: "We are avoiding creating a bureaucracy, with cars and chauffeurs, flags and so on. We have seen enough of empty structures without any content. This time, we'll create the content first and then the structures."

Regional integration, a traditional but nebulous Latin American aspiration, never prospered because Argentina and Brazil tried to build self-contained economies. Their failure coincides with the global vogue for integration and free markets.

Presidents Carlos Menem of Argentina and Fernando Collor de Mello of Brazil decided last July to revive the moribund integration process begun by their predecessors, Mr Raul Alfonsin and Mr José Sarney. Buenos Aires and Brasilia now view full integration as an urgent priority as the world divides into economic blocs.

**The Bush Administration has launched a series of initiatives designed ultimately to lead to a hemispheric-wide free trade area, Nancy Dunne writes from Washington. The US Trade Representative's office has begun discussions with Argentina, Brazil, Uruguay and Paraguay – together as a group – with the immediate goal being a 'framework agreement.' These pacts address specific trade and investment policy concerns and lay the ground for movement towards an FTA. Framework agreements have already been signed with Colombia and Ecuador; discussions are under way for similar agreements with several other countries, including Venezuela, Costa Rica and Chile. President Bush is soon expected formally to notify Congress of his intent to negotiate an FTA with Mexico. In 1987 the two countries signed a framework agreement, which established a consultative mechanism to discuss trade issues and resolve differences. It also established 10 joint working groups to focus on agriculture, services, investment, intellectual property rights, tariffs and industry.**

For the first time the presidents of Brazil and Argentina are pursuing broadly similar free-market policies to tackle broadly similar problems – inflation, debt and uncompetitive industry. The two men have even won a common nickname – Collor de Menem.

Paraguay and Uruguay have little choice but to join in as they depend so heavily on their neighbours. Paraguay thrives as the black market entrepôt of Argentina and Brazil, supplying goods still banned by both countries' protectionist policies. Uruguay's offshore banking industry handles part of the estimated $40bn (£21.6bn) in flight capital Argentines have sent abroad.

Free trade in Brazil and Argentina will come as a severe wrench for these two niche economies, whose only other important economic activity is farming.

Chile, Latin America's free-market trailblazer, is biding its time. Some believe the Chileans set greater store by President George Bush's proposal for a free trade zone that would stretch "from Alaska to Tierra del Fuego".

Argentina sees integration as a lifeboat that will save its drowning industry, providing access to the large Brazilian economy. Brazil has displaced the US as Argentina's leading trade partner, taking 12 per cent of Argentine exports. Last year Argentina exported $1.1bn to Brazil, earning a $403m surplus.

Brasília and Buenos Aires have begun harmonising foreign and trade policies. They have one big interest in common – opposition to US and European Community subsidies that undermine wheat, soya and oil seed export prices. The EC has made it clear it would prefer to negotiate these and other issues bloc to bloc, rather than individually with countries.

Argentina and Brazil plan common negotiating positions to win trade concessions in the General Agreement on Tariffs and Trade for opening their domestic economies to imports. They are planning a common response to the Bush initiative.

However, many Argentine businessmen fear the supposedly more efficient Brazilian industry. One prominent businessman said: "We are worried about integration. We will have to compete with foreign industries accustomed to economies of scale. Integration must be carefully negotiated."

But Mr Julio Vieiro, sales director at Bridas SAPIC, an independent Argentine oil company, disagrees: "People always react to change with fear and try to protect themselves, but we are all learning to adjust."

Diplomats say that business sentiment is changing in both countries but obstacles of varying magnitude still divide Argentina and Brazil.

**Carlos Menem: nickname**

A member of the Menem administration said: "Argentina is further ahead in opening its economy than Brazil. It does not have exchange controls, Brazil still does. Argentina makes token interest payments to foreign banks. This is unpopular with the Brazilians, who pay nothing. These questions are going to take a long time to be settled."

Furthermore, progress in the struggle against inflation, protectionism and public sector reform will not be uniform in any of the economies. **Double-act in the art of complaining, Page 6**

# Negotiators optimistic over IPR agreement

**By William Dullforce** in Geneva

PROSPECTS FOR an agreement on intellectual property rights (IPR) at the Uruguay Round trade talks have improved after two weeks of intensive discussions in Geneva.

None of the significant quarrels between the big industrial countries over patents, copyright, geographical appellations and industrial designs has been settled. Nor have developing countries abandoned opposition to a new fully fledged IPR accord fitted into the General Agreement on Tariffs and Trade.

But by subjecting crucial issues to close scrutiny it has been possible to discard options and pare differences down to essentials, officials say.

Mr Lars Anell, chairman of the IPR negotiating group, is to prepare a simplified draft text of an agreement, on which negotiators will resume work for a two-week period from October 8.

The US team, which returned to Geneva after the August break with more flexible instructions, feels it has been unable to evoke corresponding flexibility from EC negotiators.

However, one senior official felt there were only two obstacles to completion of a substantial IPR agreement. First, the collapse of talks in other areas of the Round could rebound on IPR and, second, the US might reject an agreement which would entail important changes to its domestic laws.

On some issues the US is becoming increasingly isolated. It wants to stick to its first-to-invent principle for patent protection, while other countries insist protection be given to the first person to file for a patent. And Washington's argument that the Berne copyright convention does not cover the moral rights of an author to decide how his work is handled is rejected by almost all other countries.

# EC close to settling row with Canada over fishing

THE European Community's executive commission said yesterday that its only real row with Canada could end soon following a broad agreement to limit fishing catches in the north Atlantic, Reuter reports.

The EC ended four years of dissent within the North Atlantic Fisheries Organisation (Nafo) last week by accepting proposals to restrict its fishing in international waters off the Canadian coast.

"The convergence of views seen at the last Nafo meeting could form the basis for stable and positive relations between the EC and Canada in the fishing sector," said Mr Manuel Marin, EC fisheries commissioner.

It could "put an end to a situation which threatened to sour bilateral relations in general," he said.

The two sides have argued since 1986 about claims that EC overfishing in the north Atlantic has severely reduced migratory fish stocks in Canada's exclusive coastal zone.

The EC has repeatedly rejected Nafo's attempts to curtail its fishing activities, complaining that Canada dominates the 12-member organisation and disputing the scientific basis of proposed quota cuts.

But the EC's agreement last week to keep its catches of seven out of 11 fish stocks, notably plaice and yellowtail, within Nafo limits may herald an end to what has been the only blot on EC-Canadian relations.

"It's very heartening to see some movement," one Canadian diplomat said. "Commissioner Marin's dedication to trying to ensure conservation measures are applied is clearly understood."

But he noted that the Community had not toed the Nafo line on four fish stocks, including a ban on fishing for cod in an area known as the "nose" of the Grand Banks of Newfoundland. "These are still serious causes for concern," he said.

The diplomat said there was some way to go before Canada could consider granting EC boats free access to its ports and the right to fish its exclusive coastal waters, privileges enjoyed by Nafo members which stick to the organisation's quotas.

Much would depend on whether EC fisheries ministers decided to set their own higher quotas for the contested stocks, as they have done in past years, he said.

The ministers are due to consider the issue in December.

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# Snorre oilfield contract award

SAGA PETROLEUM, Norway's biggest independent oil company, yesterday awarded a contract to Aker Drilling, a member of the large Norwegian Aker group, for production drilling in Snorre, an oilfield currently being developed in the Norwegian North Sea, writes Karen Fossli in Oslo.

Snorre is the first oilfield to be developed by Saga Petroleum. The field has reserves estimated at 120m cu m of oil, 5.8bn cu m of gas, and 2.7m tonnes of NGLs.

Aker Drilling's contract is for a five-year period with a four-year option. It also calls for Aker to undertake drilling of water injection wells in which water will be injected into the reservoir to help maintain pressure to enable the oil to be more easily produced.

# Democrats consider bill to delay budget cuts

By Peter Riddell, US Editor, in Washington

DEMOCRAT congressional leaders are considering proposals to delay the impact of across-the-board spending cuts of up to $106bn which will come into effect in 10 days unless there is a breakthrough in stalled talks to reduce the US budget deficit.

The cuts, known as sequestration, would be triggered automatically under the Gramm-Rudman deficit reduction law and would affect a wide range of domestic programmes.

However, there were reports yesterday that Mr Jamie Whitten, Democrat chairman of the house appropriations committee, would propose a short-term spending bill to finance the federal government during the opening weeks of the new fiscal year, starting on October 1.

The measure would delay the impact of the Gramm-Rudman cuts and provide the $1.8bn sought by the administration to finance the immediate additional military costs of the Gulf operation.

Such a measure would give both sides more breathing space, although Senator Robert Dole, the Republican minority leader, has signalled opposition to any suspension of the Gramm-Rudman law. He has circulated a letter urging Republican support should President George Bush be forced to veto any short-term spending bill.

A small group of White House officials and congressional leaders resumed talks yesterday to secure an agreement. Both parties are preparing campaigns to blame the other, ahead of mid-term elections.

# Anti-drug journalist kidnapped in Colombia

By Serita Kendall in Bogotá

A LEADING Colombian journalist has been kidnapped in the latest of a series of attacks which suggests that the country's drug cartels want to force the government into peace talks with them.

Mr Francisco Santos Calderón, 28-year-old news editor of the national daily El Tiempo, was taken by armed men on Wednesday evening after he left his office. The driver of his bullet-proof car was shot dead by the kidnappers when Mr Santos opened the door to see what was happening.

He has written many hard-hitting editorials on drug-trafficking and the country's guerrilla factions. He advocated no concessions in the drug war and seems to have been threatened in recent months.

There is no confirmation that he was kidnapped by drugtraffickers, but the circumstances and the style of the operation point to the Medellín cartel, which has taken key people hostage when trying to bargain with the government.

The disappearance of Miss Diana Turbay, another journalist and the daughter of former President Julio César Turbay, is also being attributed to cocaine traffickers. She and five others left the capital Bogotá at the end of August, supposedly to interview members of the command of the ELN left-wing guerrilla movement.

The ELN and the national guerrilla co-ordinating group have denied any contact with Miss Turbay. Her father said yesterday he had no reason to believe she was being held against her will. The opposition newspaper La Prensa reported on Wednesday that Miss Turbay was in the hands of the Medellín cartel.

A communiqué this week from The Extraditables, drug-traffickers under threat of extradition to the US for trial, said they were continuing their truce.

So far, no trafficker has taken advantage of the change in extradition legislation announced this month by President César Gaviria. This would allow trial in Colombia and reduced sentences for those who give themselves up and confess all their crimes.

Mr Gaviria has stressed that the government will not negotiate with traffickers and that the new, softer option would be dropped if the violence were to re-start.

# Reticent Souter likely to secure Senate vote for Supreme Court

By Lionel Barber in Washington

JUDGE David Souter, President Bush's nominee for the US Supreme Court, appeared to be heading for Senate confirmation yesterday after testimony which gave few clues about how he would vote on issues such as abortion.

Democrats and Republicans on the Senate Judiciary Committee spent three days trying to pin down the New Hampshire Appeals Court judge, with little success. The committee will vote on the nomination next week, with the full Senate pronouncing shortly afterwards.

Judge Souter, 51, disarmed his questioners by arguing he would prejudice his vote in future cases if he revealed his thinking on issues such as abortion, minority rights, privacy and the separation of church and state.

His reticence contrasted with Judge Robert Bork, whose widely published conservative views and taste for intellectual cut-and-thrust ensured that his nomination was voted down by the Senate in 1987.

Judge Souter's one slip came when he said illiterate people "diluted" votes cast by the rest of the electorate. "That is a mathematical statement," he told Senator Edward Kennedy, who responded with a passionate speech defending the rights of poor, uneducated, minority voters. The other emotional moment came when Republican Senators clashed with women's rights groups opposed to Judge Souter because of his unstated views on abortion. Senator Alan Simpson complained about the "tiresome arrogance" displayed by the groups' leaders.

He also ticked off Ms Molly Yard, president of the National Organisation for Women, for grimacing after Senator Strom Thurmond, an 87-year-old Republican from South Carolina, greeted the groups as "lovely ladies".

# Republican campaign in NY close to collapse

By Alan Friedman in New York

THE campaign of Mr Pierre Rinfret, the Republican opponent to Governor Mario Cuomo in New York's forthcoming gubernatorial election, is on the verge of collapse.

Mr Rinfret, a virtually unknown economist who was the 19th choice of New York Republicans to stand against the hugely popular Mr Cuomo, was reported yesterday to have told his party's leaders that his campaign was out of cash, and that he was ready to quit unless he received financial and political support.

The Republican candidate's office said yesterday that Mr Rinfret would issue a statement following meetings and discussions on the campaign.

Mr Rinfret's campaign manager resigned this week, saying he disagreed with Mr Rinfret's strategy of threatening members of his own party. Mr William Simon, the former Treasury Secretary who was Mr Rinfret's finance chairman, also quit.

Polls suggest Mr Rinfret, a former economic adviser to President Nixon, would only win 14.5 per cent of the votes.

## Minister quits

VENEZUELAN Development Minister Mr Moises Naim, one of government's leading free-market advocates, is leaving for an executive position at World Bank headquarters in Washington, Joe Mann reports from Caracas.

His departure, which has not been fully explained, does not signal a reduction in the government's commitment to economic reform.

# An authentic New England vote catcher

## Lionel Barber on the Senate race in Rhode Island

DAY 46 in the Gulf crisis, but barely a peep has been heard from Senator Claiborne Pell.

As chairman of the Senate Foreign Relations committee, Mr Pell ought to be centre stage, emulating illustrious predecessors such as Mr William Fulbright or Mr Richard Lugar. Instead, the senior Senator from Rhode Island is sticking to what he does best: running a successful re-election campaign and establishing a 10 point lead in the latest polls.

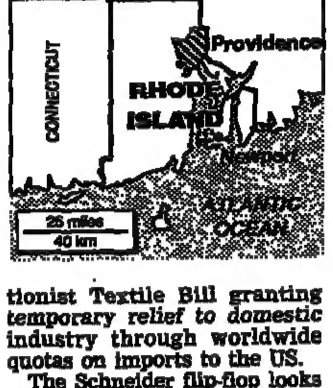
This is no mean feat, because Republicans hunting for vulnerable Democratic seats in the November midterm elections saw Rhode Island as one of their best shots. The party put forward an attractive candidate – Congresswoman Claudine Schneider – and strategists were privately confident that Mr Pell, 71, first elected to the Senate in 1960, was ripe for retirement.

But as Ms Schneider would be the first to admit, Mr Pell is proving to be a difficult man to beat. The Senator may be quirky (he recently promoted funding for extra sensory perception research at the Pentagon); but in an age of blow-dried politicians who speak in eight-second sound-bites, Mr Pell, with his quaint language and aristocratic mien, is Mr Authentic.

He also does what US Senators are supposed to do: pulling in millions of Federal dollars to the state. The ability to bring home "pork" has become all the more important now that the Rhode Island economy is stuck, like the rest of New England, in a recession.

Until the economic downturn, Ms Schneider looks the right type of liberal-minded Republican to take on Mr Pell. A former local TV producer, she first won her Congressional seat in 1980. Since then, she has established a strong track record on the environment – important in the "ocean state" – as well as retaining a clear "pro-choice" stance favouring a woman's right to elect whether to have an abortion.

Ms Schneider's problem is that she has not provided a good reason to voters to dump Mr Pell, and the signs are she is getting desperate. Throughout the 1980s, Ms Schneider used to line up with market-oriented Republicans, even voting last year for Mr Newt Gingrich, the Georgia firebrand, as House minority whip; but this week Ms Schneider jumped ship and supported a protectionist Textile Bill granting temporary relief to domestic industry through worldwide quotas on imports to the US.




The Schneider flip-flop looks like an effort to appeal to voters worried about the local economy. Real estate has collapsed; frightened banks have all but stopped lending; unemployment is climbing; and as the empty department stores downtown in Providence suggest, consumer confidence has evaporated. "If there is a recession," says Mr Kevin Phillips, the conservative political analyst, "Claudine won't win."

Nor will Republican Governor Edward DiPrete. Three other (Democratic) governors in New England – Mr Michael Dukakis of Massachusetts, Ms Madeleine Kunin of Vermont, and Mr William O'Neill of Connecticut – all chose to bow out of office rather than face the wrath of a middle-class electorate whose pockets are being pinched. But Mr DiPrete chose to stay on and do battle. "New York has the third lowest bond rating in the country. Massachusetts has the worst," he says, "but we still have a Double A rating."

A bond rating is not much to hang an election campaign on, so Mr DiPrete unveiled a plan this week to cut the number of state departments from 18 to 12 with prospective savings put at an ambitious $15m. He also recast his successful 1985 election slogan of "The change we need" by turning himself into a reform candidate – but it all looks a bit late to beat off the challenge from Mr Bruce Sundlun, a self-made millionaire who is making his third bid to oust Mr DiPrete.

Mr DiPrete was very successful when he took office in promoting a pro business climate. He persuaded a Democratic legislature to pass a near 20 per cent cut in the state income tax, and repeal the generous unemployment benefits for strikers. But the budget shortfall, a stagnant population and worries about defence spending cuts (particularly in submarine programmes) raise questions about what comes next for Rhode Island.

Mr DiPrete told a bankers' luncheon this week that he expects the local economy to pull out of recession by late spring, but he appeared unsure about what factors would power future growth. Real estate was the best hope, he said, but "there is a big inventory out there".

The same is true for the rest of New England, and it is fuelling the "throw the bums-out" mood. So far, the state governors are identified as responsible for the mess. Like many other political analysts, Mr Phillips is wondering at what point the discontent will switch from the state houses to the national stage in Washington DC.

*This is the first in a series of articles on the US midterm election campaign.*

# Argentina plans to permit dollar bank accounts

By John Barham in Buenos Aires

ARGENTINA plans to permit dollar bank accounts, recognising the de facto "dollarisation" of the economy. Officials hope the move will enable them to control both inflation and the economy.

Argentines hold untold billions of dollars in their homes as well as in foreign bank accounts. Most contracts and prices are tied to the dollar because the austral, Argentina's currency, has lost 99.99 per cent of its value in five years, the result of repeated bouts of hyperinflation.

Understandably, people shun the austral. Argentina's bank deposits are now equivalent to only 3.8 per cent of gross domestic product, a third less than in October last year. Although Argentina has no exchange controls, only the austral is legal tender.

Mr Javier Gonzalez Fraga, Central Bank president, said: "We are going to permit current accounts and cheques in dollars, but this in no way means that the US currency will become legal tender. We are trying to facilitate a series of transactions which are taking place de facto to generate a new source of credit."

The plan will extend an existing scheme, under which banks offer dollar deposit accounts.

Economy Ministry officials say banks could increase loan maturities and reduce interest rates. Only very short term loans are available in australs, usually at strongly positive interest rates.

A 30-day loan can cost over 40 per cent a year in real terms. In comparison, dollar deposits in Buenos Aires yield around 8 per cent at an annual rate, about the same as in New York.

Mr Enrique Szewach, chief economist at Fiel, an economic think tank, has warned that de jure recognition of dollarisation threatens the austral with "sudden death" – which would limit the government's scope for financing its debts by printing money.

# Argentine trade surplus points to recession

By John Barham in Buenos Aires

ARGENTINA'S first-half trade surplus rose to $4.11bn – two thirds more than in the equivalent period last year.

However, this seeming advance in fact highlights the severity of Argentina's recession.

Collapsing domestic demand and investment levels have reduced demand for imports and increased exports. Exports, largely grains, rose by a quarter to $5.87bn, while imports dwindled by 20 per cent to $1.76bn.

Also, capital goods accounted for a falling proportion of Argentine imports, which reflected declining investment. Exports of manufactures are also declining as the austral increases in value, making foreign sales unprofitable.

Argentina's currency is now at its highest level in real terms for more than a decade.

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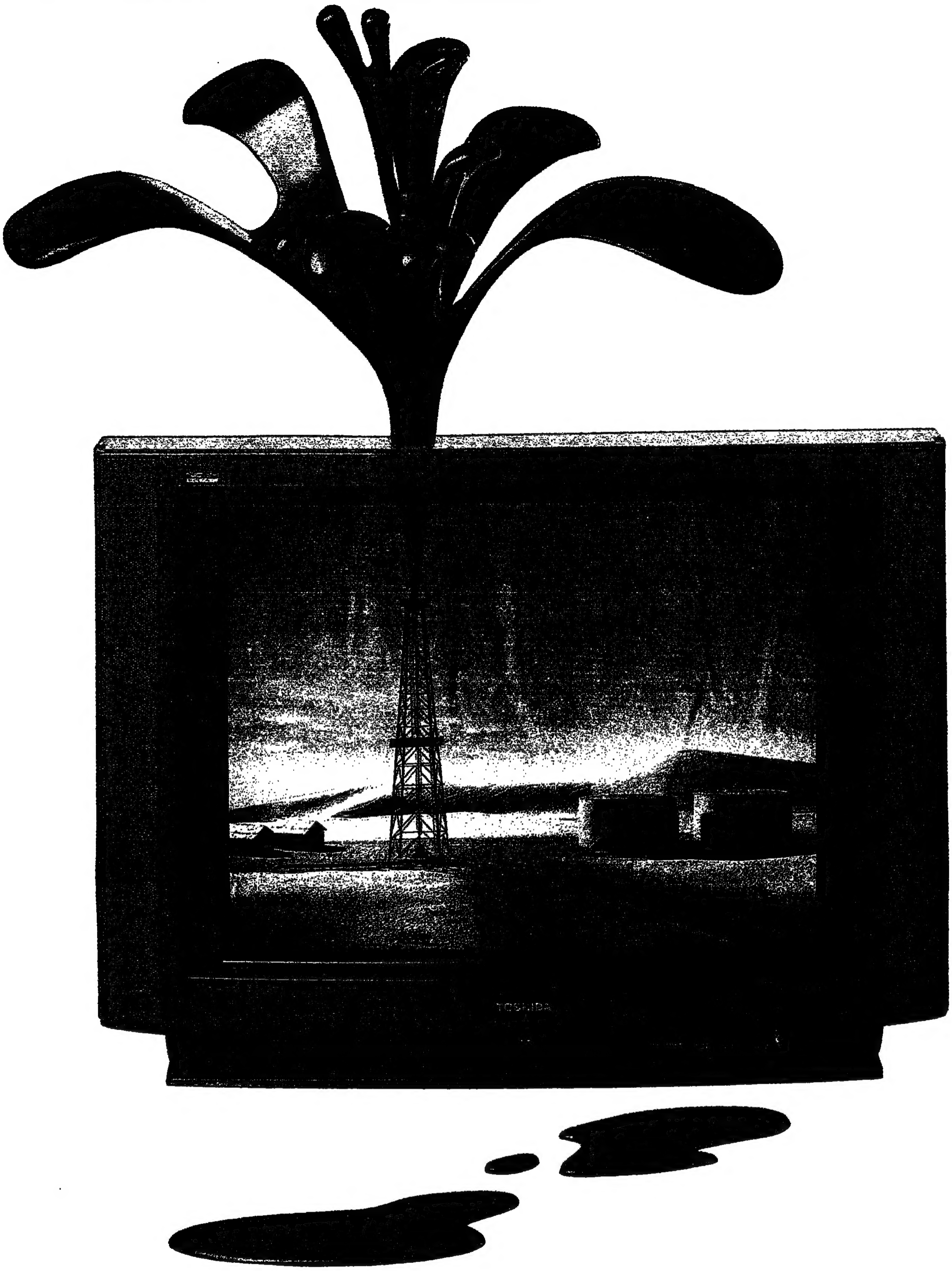

# Can one company help Dallas strike oil and bring it into your living room?

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## LEGAL NOTICES

### TROPICAL FOODS (LEICESTER) LIMITED IN RECEIVERSHIP

NOTICE HIS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at the Holiday Inn, St Nicholas Circle, Leicester on 28 September 1990 at 10.30 am for the purposes of having laid before it the report prepared by the Administrative Receivers in accordance with the said Section and, if though fit, appoint a Committee.

Creditors whose claims are wholly secured are entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless the other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the meeting must lodge a written statement of their claim with us at Cork Gully, Abacus House, 32 Friar lane, Leicester, LE1 5RA no later than noon on 25 September 1990. Forms of proxy are enclosed which, if intended to be used, must be lodged with us by that time.

DATED this 11th day of September 1990

JOHN F POWELL and STEPHEN J TAYLOR
Joint Administrative Receivers

### Wiltshire Vehicle Finance Limited (In Receivership)

Registered Number: 2254585
Former Company Names: Rapid 6585 Limited

Nature of Business: Purchase And Leasing of saloon cars
Trade Classification: 35
Date of appointment of administrative receiver(s): 10 September 1990
Name of Appointor: Brown, Shipley & Co. Limited.

I Jacob and N H Cooper
Joint Administrative Receivers
Office Holder No(s) 002121 and 005269
of Robson Rhodes,
186 City Road,
London EC1V 2NU



# AMERICAN NEWS

## Double-act deals in the art of complaining

### Christina Lamb meets two Brazilians employed to teach the ways of the free market

THE TWO MEN standing broad-shouldered in starched white shirts and dark blue ties seem an unlikely pair to be responsible for converting Brazil's highly protected economy into a free market.

A lawyer and an engineer, they are Brazil's new price police. Their assignment: to engender competition through sniffing out abusive business practices and educating consumers in the fine art of complaining.

"For the first time in Brazilian history there is the political will to implant a free market economy. We are here to defend both this new economy and the consumer," explains Mr Jose Del Chiaro, head of the National Secretariat of Economic Rights.

"Changing the culture of 25 years is a difficult job which cannot be done in 15 days," adds his colleague Mr Salamao Rotemberg, director of the new Department of Economic Defence and Protection. "We're dealing with an economy in which values are inverted."

"Yes," agrees his incredulous partner. "Before, we were actually destimulating competition, encouraging and protecting monopolies, and rewarding inefficiency by guaranteeing minimum prices, all in the name of self-sufficiency."

If it seems a little ironic to set up a government agency enforcing deregulation and free market principles, it is clearly necessary. Since President Fernando Collor mounted his anti-inflationary crusade in March, the tables of fixed prices kept by every cash register have shrunk from 10 pages listing 70 per cent of Brazilian products to just three items – cigarettes, petrol and flour.

But rather than stimulate competition and lower prices, the ending of price controls has simply resulted in manufacturers getting together and agreeing price increases themselves. Mr Del Chiaro says in disgust: "If a business has a significant share of the market it can manipulate prices and put them up to an abusive level. They are still taking any opportunity to do this."

When a 45-day price freeze was lifted in early May, increases began well above the rate of inflation. The General Index of Market Prices (IGP) in June showed rises of 91.6 per cent in some cement products, 64.2 per cent in acetylene and 56 per cent in washing machines. In July diesel motors went up by 64.8 per cent and sheet glass by 52 per cent.

By August the IGP was showing monthly rises of more than 100 per cent in many industrial products when inflation for the month was around 12 per cent.

This was the last straw for the Collor administration. A strict new anti-trust law was decreed giving the Economic Rights Secretariat sweeping powers to expropriate companies behaving unfairly and sell them off through the stock exchange. As a further "incentive" to come into line, import tariffs on products produced by monopolies were slashed by half. Mr Del Chiaro, a lawyer, explained: "If we hadn't made a market economy required by constitutional order we would never have moved from the past."

This month, the Economic Defence Secretariat, under the hawk-like eyes of Mr Rotemberg, began hauling in offenders to "explain abusive price rises." "Please don't say we force them to come – really it's more of an invitation," he insists.

> "For the first time in Brazil the consumer will be seen as the main element of the market. We want to teach them how to complain and show them they can control prices. Before they had no choice but passive acceptance because there were no products available of better quality and low prices. But now they can buy imports"

Many Brazilian businessmen do not see it like that. "This is like something out of Walt Disney," complained Mr Joaquim Pereira, president of the Rio Union of Bars, Restaurants and Hotels, after he was called in to explain why the prices of pizza, coffee, orange juice and milk had all risen by the same amount in every outlet in Brazil's top tourist spot. Mr Pereira maintained this was "just coincidence," adding "we are simply passing on increases in inputs."

Only 10 days into the job, this is already a familiar argument to Mr Rotemberg. Those who accepted the "invitation" so far include Dow Quimica and the makers of Hellmans Mayonnaise. "Others say they're protecting themselves in case there is a price freeze."

Some of those charged have a strong argument.

President Collor: crusade

Mr Renato Rosegno, president of the Association of Manufacturers of Artificial Fibres, points out that his raw material comes from only one supplier, Acrinor, which has put up its prices by 137 per cent in three months.

"We've only been able to put our prices up 11 per cent because now imported fibre is cheaper than our product. We should be able to import our raw materials more cheaply," he said.

Others complain that exports have been cancelled because the cost of inputs is greater than the value of the order. Mr Rotemberg is not impressed. "I don't care if they are state, private or multinationals, some of these businesses loved high inflation and the only way they know is passing costs on to customers. They cannot imagine cutting profits. What we are doing is giving a crash course in the ways of the free market."

The strategy does not merely rest on changes in business behaviour. "It's important that the customer recognises his responsibility too," says Mr Del Chiaro. A national register of offending businesses has been set up for consumers.

"For the first time in Brazil the consumer will be seen as the main element of the market. We want to teach them how to complain and show them they can control prices. Before they had no choice but passive acceptance because there were no products available of better quality and low prices. But now they can buy imports," Mr Del Chiaro explained.

This may be hard. In a Rio supermarket an old lady stares at biscuits which have been cut in price to compete with Argentine imports. "There must be something wrong with them," she says. "Normally they go up every week."

## Courts to determine responsibility for Indians

**By Simon Fisher**
*in Rio de Janeiro*

THE BRAZILIAN Attorney General has brought charges of genocide against the national Indian Welfare Agency (Funai), for failure to stop the Yanomani Indians of Northern Brazil being wiped out.

The charges are the latest round in a drawn-out battle to fix responsibility for the Indians, the largest tribe of forest Indians in South America. Conflicts and diseases brought by a lawless gold rush in the Yanomani territory have killed at least 15 per cent of the Indians in the past three years.

Time is running out while the legal processes wind their way through the Brazilian courts. And despite the recent shift in the government's discourse, in practice recent events have only made the Indians' prospects bleaker.

President Collor's appointment last month of retired military officer Mr Cantidio Guerreiro Guimares as the new head of Funai, was criticised by indigenist groups as the "worst possible choice."

It was the military which pioneered the road-building programme that opened Amazonia to exploitation. Mr Guerreiro has defended the controversial government ruling last January which reduced Yanomani lands by 70 per cent, dividing them into 19 separate 'islands' (sic) in the jungle, surrounded by areas where prospecting is permitted.

Much will also depend on the result of next month's election for state governor. But in the Roraima, where the Yanomani live, all the candidates support the gold miners. The man most likely to win is former governor and ex-Funai president, Mr Romero Júca Filho, one of the architects of the plan to split up the Yanomani territories.

The leader of the Union of Amazon Prospectors, Mr Jose Alpino Machado, is a strong candidate for senator. And while the fate of the Yanomani is an emotive issue outside Brazil, the indications are that for the government, real politik is a stronger force.

## Brazil's 'Marvellous City' slips deeper into oblivion

RESIDENTS used to describe Rio de Janeiro as "the Marvellous City" because of its unique combination of breathtaking natural beauty and devotion to pleasure, Reuter reports.

But Brazil's second-biggest city has slipped into near oblivion. Citizens say Rio's confidence has been sapped by growing shabbiness, a tide of violent crime and a steady exodus of businesses, jobs and tourists.

Copacabana beach used to be world famous for the beauty of its setting and for those who strutted across its sand. Now it has a crime rate so bad that the US State Department has issued a warning to tourists to avoid the area.

"In the 1970s Rio had a special glow, an exuberance you could feel around you everywhere," Nila, an Egyptian-born artist working in the city, said. "The scenery may look the same today but something is missing."

Part of the explanation, residents say, is economic. Industry, bedevilled by labour problems, poor infrastructure and high costs, has moved to more profitable areas inland.

"Brazil has shifted its focus towards the interior in the last couple of decades," explained Paulo Manoel Protasio, head of the Rio Chamber of Commerce.

"Rio used to have a big industrial base when it was the capital, but that has now largely gone."

The decision in the 1950s to move the seat of government 720 miles north-west to Brasilia is widely seen as the beginning of the end for Rio.

But because of the slowness of the transition – the Foreign Ministry only left Rio in 1970 and some government departments moved in the 1980s – the effects were delayed.

In the absence of wealth-creating industry, crime has flourished. Millionaire businessmen and wealthy foreign tourists have proved an irresistible target for the slum dwellers who live in shacks perched precariously on the mountainsides above the penthouses of the rich.

"During the 1980s real per capita income was stagnant in Brazil, but in the state of Rio de Janeiro it fell by 15 per cent," economist and state legislator Cesar Maia explained. "The gulf between rich and poor in Rio is a problem during a period of growth. But in a slump it becomes explosive."

This year's most visible symbol of rising crime has been a spate of kidnappings. Victims are usually local millionaires or their children and the ransoms run into millions of dollars.

Fear of abduction or assault has long since scared off the jet set, whose activities during the 1940s and 1950s put Rio on a par with Monte Carlo or Nice.

"The social life here used to be much more intense," said gossip columnist Zozimo Barroso do Amaral. "But no one comes here any more now. They are too scared of being kidnapped or assaulted."

# Major wins wide support for debt relief initiative

By Peter Norman, Economics Correspondent, in Port of Spain, Trinidad

PLANS by Mr John Major, the UK Chancellor, to provide greater debt relief for the poorest developing nations, drew wide-ranging international backing yesterday.

In Washington Mr Michel Camdessus, managing director of the International Monetary Fund, warmly commended the proposals, unveiled on Wednesday at the Commonwealth Finance Ministers' meeting in Trinidad. They would "certainly provide significant debt relief to the poorest heavily indebted countries."

A communiqué due to be issued at the end of the two-day meeting of finance ministers from the 50-nation Commonwealth also "warmly welcomed" the plans and urged the Paris Club of creditor nations to consider implementing them as soon as possible.

The plans, to write off up to $18.3bn of official debt owed to governments by 19 African and South American countries, won the support of Canada, which like Britain is a member of the Group of Seven leading industrial nations.

Mr Pierre Bérégovoy, the French Finance Minister, also strongly backed the initiative.

"This is basically what we have been asking for for some time," Mr Bérégovoy said after a meeting in Paris with finance ministers of the 14 African countries in the franc zone.

Mr Michael Wilson, the Canadian Finance Minister, said the proposals, were good although there was still a need to look at the details. Mr Wilson's endorsement of the plans should help Mr Major in Washington tomorrow when he will urge other G7 members to back his initiative.

The British proposals, which yesterday were named the Trinidad and Tobago terms, are a development of the existing Toronto debt relief terms for poor debtor countries which are pursuing economic adjustment programmes approved by the IMF.

They envisage doubling debt relief so that two-thirds of eligible Paris Club debt is written off; rescheduling a country's whole stock of debt in one go; providing additional cash flow benefits by capitalising interest during the first five years and extending repayment periods to 25 years.

The Commonwealth meeting also acknowledged that lower middle income countries such as Nigeria had a growing official debt problem. While noting that the Paris Club had lengthened repayment periods and introduced debt for equity swaps, they urged the creditor nations to give serious consideration to additional options to help these countries.

The impact of the Gulf crisis was a matter of deep concern at the meeting, with ministers expressing fears that some developing countries would suffer not just from higher oil bills but from the loss of workers' remittances, lost exports and the cost of supporting United Nations sanctions against Iraq.

# Where the oil blow falls heavily

## The director of research at the IMF talks to Stephen Fidler

MR JACOB FRENKEL, director of the International Monetary Fund's research department, does not wish to be seen as anti-consumer over his call this week for governments to let oil users bear the brunt of higher oil prices.

"What we're really saying is: 'Don't pretend you can protect consumers,'" he said.

The IMF's chief economic spokesman said the cut in oil supplies was a supply shock, implying a loss of output and employment.

Governments would fail if they attempted to offset this by energy subsidies or easing monetary policy.

"It's important that we don't attempt to protect the users. We should learn from the mistakes made in the 1970s," he said.

"We are now reaping some of the fruits of the conservation measures introduced after the price rises of more than a decade ago. We are less dependent on oil."

By contrast, eastern Europe's heavy reliance on oil, which meant the region would suffer badly from the price rises this year, stemmed in large part from its subsidised energy.

Since the Iraqi invasion of Kuwait in early August, Mr Frenkel's department has been forced to rewrite completely its economic forecasts, to be delivered formally at the weekend to the fund's policy-setting Interim Committee.

Frenkel: "Don't pretend you can protect consumers"

However, in terms of governments' economic policy, he advised little change. Assuming the Gulf crisis did not degenerate into war, it would be unnecessary for governments "to depart significantly from the course of policy that was deemed appropriate before the crisis erupted," he said.

The reason was partly the fact that the main industrialised economies were in different stages of the economic cycle. In North America and the UK, there was a significant slowdown in economic growth under way; but in Japan, Germany and elsewhere in western Europe, growth remained robust.

There was, in the world economy, the equivalent of a "balanced portfolio" and "the likelihood therefore of a global downturn is diminished."

This "relatively comfortable" conclusion was reinforced by other factors: the rise in the oil price is lower in percentage terms than in the 1970s, and other sources of supply have emerged since then. Strategic stockpiles and more efficient energy use would also help.

However, the crisis had heightened the importance of resolving certain policy questions – such as the US fiscal deficit – quickly. This would reduce uncertainty and contribute to a reduction of long-term interest rates, recent rises in which could have damaging consequences for investment.

As well as reflecting higher inflationary expectations and scarcity of capital, rising long-term interest rates were also a function of economic uncertainty.

Since the Gulf crisis, it has become harder to make predictions about the future, and there is increased uncertainty about the economic policy response of governments. "Governments must therefore be very clear about the course of policy," he said.

Mr Frenkel was also concerned that the focus on oil would detract attention from other policy issues, which were potentially more important in the medium term.

These were: the adjustment of external imbalances, the shortage of global savings, the issues raised by German unification, as well as the economic transformation of eastern Europe.

# Camdessus cautious on prospects for Brazil's bank talks

By Stephen Fidler in Washington

MR Michel Camdessus, managing director of the International Monetary Fund, refused to be drawn yesterday on whether he would insist on Brazil paying interest to commercial bank creditors before recommending a $2bn IMF loan for the country.

He said the issue of interest payments to commercial banks was a matter between Brazil, now in $10bn arrears to foreign creditors, and its commercial bank creditors.

However, he told a news conference that, before approving the standby loan, the executive board of the IMF "will need to be sure the negotiations with the banking community are firmly launched with a good prospect of a serious conclusion".

The refusal of the Brazilian Government to commit itself to interest payments to international banks has angered commercial bankers. They say Brazil's payments have significant consequences for the financial health of a number of US institutions and that the IMF will send a clear signal to other debtor countries if it does not insist on Brazil meeting at least some of its obligations.

Some members of the IMF board have indicated they would be unhappy if the Brazilian programme did not contain a commitment to pay some interest to banks.

A letter from the Brazilian Government to Mr Camdessus undertakes to resume payments to western government creditors, but makes no such commitment regarding the banks.

Mr Camdessus also outlined in public for the first time a proposal by the Fund to provide subsidised IMF credit for the countries worst hit by the Gulf crisis, but which are outside the scope of the aid programme for frontline states.

This would involve voluntary contributions from other countries, particularly those benefiting from an oil windfall. The beneficiaries would be countries deemed too wealthy to benefit from the IMF's other subsidised credit schemes.

● Czechoslovakia yesterday became the 152nd member of the IMF, when Mr Vaclav Klaus, Czechoslovak Finance Minister, signed the Fund's articles of agreement.

The country's quota, or shareholding, is SDR590m ($826m).

# Paris Club extends terms of repayment

By George Graham in Paris

THE PARIS Club, which brings together creditor nations for the rescheduling of developing countries' debts to governments, has launched a strategy offering more favourable terms for lower middle income countries.

At meetings in Paris over the past week, four countries with national incomes of between $700 and $1,300 a head have agreed rescheduling packages which will spread their debt repayments over a period of 15 years, five years longer than the Paris Club has previously allowed for this group of countries.

The four countries – Morocco, Honduras, El Salvador and the Congo – have total debts of about $30.5bn between them, with $4.1bn in the form of official development assistance and $6.8bn in officially guaranteed credits.

Official development aid loans will be rescheduled over an even longer period of 20 years, and the grace period allowed before repayments must begin has been extended to six or eight years, compared with a previous norm of five years.

The agreements also allow for the first time debt equity swaps by creditor governments, within a limit of 10 per cent of their outstanding debts.

Mr Pierre Bérégovoy, the French Finance Minister, said yesterday that the new approach to the debt burden of lower middle income countries represented a considerable advance, and had been implemented less than two months after the G7 summit meeting at Houston which decided on the principle of more favourable terms for this category.

During the same Paris Club session, Niger agreed to reschedule its debts on the "Toronto Terms" reserved for low income countries.

Each creditor country may choose between writing off a third of its debts and consolidate the rest over 14 years at market rates; consolidating payments on the whole of its debts over 25 years at market rates; or consolidating at reduced interest rates over 14 years.

# Aquino toughens stance on foreign debt problems

By Greg Hutchinson in Manila

PRESIDENT Corazon Aquino of the Philippines has toughened her stance on the country's $27bn (£14.3bn) debt, calling for a negotiated write-off of interest payments to commercial creditors for the next five years.

Citing the sharp decline in economic growth this year, the president yesterday said there was a need to pursue "avenues of debt relief, including interest condonation for five years."

She added: "Government can and will make sacrifices, but at the same time, we have to impress upon our creditors the necessity of them doing their share."

Her statement reflects a change of tack on resolving the country's foreign debt difficulties. Hitherto, she has adopted a softly-softly approach. Among the conservative measures used were debt-to-equity swaps, debt buy-back, additional borrowings and debt rescheduling.

Mr Jesus Estanislao, Finance Secretary and chief debt negotiator, is in Venezuela en route to Washington and is expected to inform creditors of the President's orders.

The President's change of tack follows huge support within Congress and the Catholic Church for a tougher stance on foreign debt. However, its timing was being seen yesterday as a slight against Mr Estanislao – as with her about-turn on his proposed tariff reforms last month, she waited until he was out of the country.

Although the Philippines successfully implemented a $1.3bn debt buy-back with foreign commercial bank lenders, and had obtained substantial new money commitments this year under the US Treasury's Brady initiative, Mrs Aquino sees the measures as insufficient to offset the current and anticipated decrease in economic growth.

The July 16 earthquake, power shortages, drought, the Gulf crisis and, more recently, renewed fears of another coup attempt, have helped halve official growth targets to 3.4 per cent this year. Last year's growth was just under 6 per cent.

The government now admits it is strapped for resources to meet its debt commitments while maintaining essential social programmes.

A conference yesterday heard that the government had received initial foreign pledges for earthquake rehabilitation of more than $330m, and indications of additional support of some $200m to $300m.

These pledges, however, will cover only the financing requirements of the damage wrought by the earthquake, which amounted to 16.5bn pesos (£360m). The government will still have to address its ballooning budget deficit.

This has caused the sudden change of heart in Philippine debt management strategy. The treasury deficit has risen to about 25bn pesos as of end-August, exceeding the 1990 projection by 14bn pesos.

## CORRECTION
## Nigeria

AN article in the Financial Times yesterday, entitled Major seeks to build on Lawson debt package, stated that Nigeria owed western governments $22.8bn. This should have read $13.8bn.

**EC MERGER CONTROL REGIME**

# Uncharted obstacle course towards one-stop control system

## Today Brussels acquires explicit authority to control large EC cross-border mergers. Robert Rice and Guy de Jonquieres report.

AFTER 17 years of perseverance and quite a few political compromises, the European Commission today acquires explicit authority to control the growing number of corporate mergers and acquisitions in the European Community.

On paper, the EC's new merger regulation marks a sweeping extension of the Commission's powers, giving it the right to vet in advance the largest cross-border deals in the Community and block them if they threaten competition.

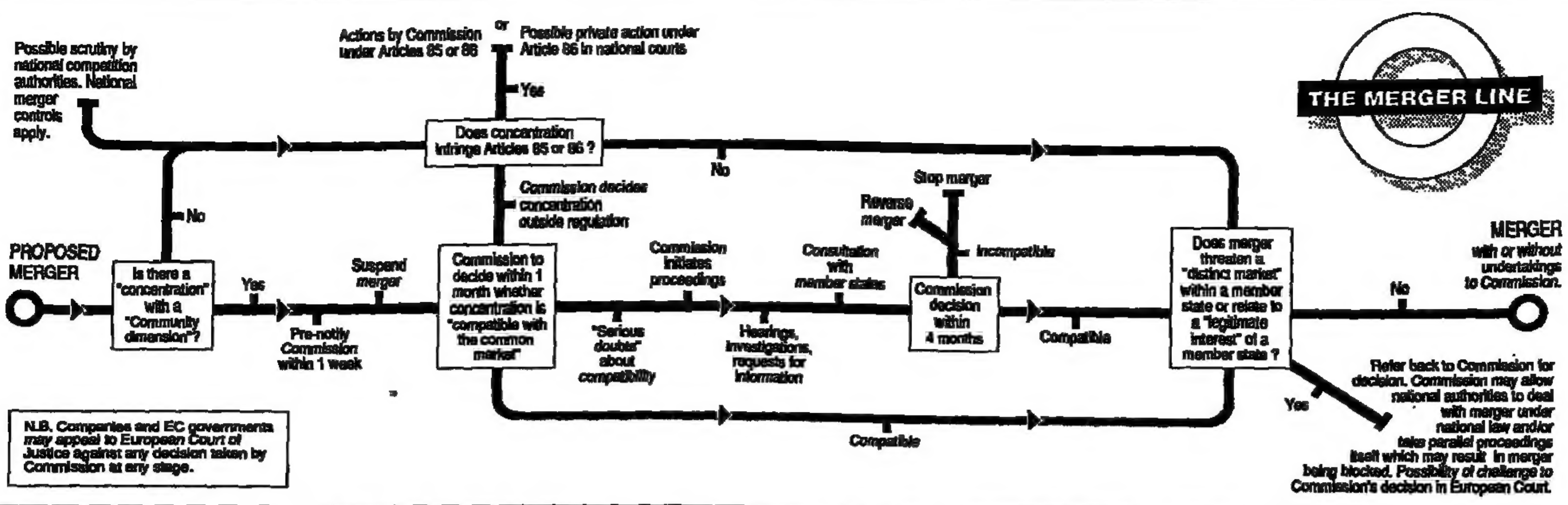
The Commission expects initially to handle each year about 50 such deals – known inelegantly in Brussels-speak as "concentrations with a Community dimension." It can compel companies to divulge commercially sensitive information and fine them heavily if they fail to comply.

The Commission argues that, as well as safeguarding competition in the single market, the regulation will bring greater clarity and consistency to an area riddled with legal imprecision.

The Commission has long had some powers under the Rome Treaty to control mergers, but did not apply them systematically. They were cumbersome and incomplete, allowing deals to be challenged only after they had been consummated. They also overlapped confusingly with national jurisdictions.

National merger policy in the EC is a messy patchwork. Only West Germany and Britain have well-established controls – though France is starting to take a more active approach – and their laws and practices differ. Many countries, such as Italy, have no controls at all.

The Commission hopes the regulation will establish "one-stop" control by clarifying the regulatory borderlines between Brussels and national anti-trust authorities. These will continue to deal with smaller mergers and acquisitions, the vast majority of deals.




In practice, however, the Commission's new powers are circumscribed and look ragged at the edges. The political horsetrading needed to get the regulation agreed has left its scope unclear, while the one-stop principle is ringed with exceptions and the demarcation lines between Brussels and national authorities are still fuzzy.

Companies involved in the very largest and smallest mergers will know which authority to approach for clearance. But for some deals between these extremes, the effect of the regulation is less clear.

Since there are stiff penalties for failing to notify the Commission of a merger caught by the regulation, or for proceeding with it without clearance, many companies may feel constrained to approach both Brussels and national competition authorities.

There is also ambiguity in the criteria which the Commission will use to judge mergers. Though the regulation says competition is the main yardstick, it allows other vaguely-defined factors such as "the development of technical and economic progress" to be considered.

Hence, the regulation presents an uncharted procedural obstacle course which, in the short term at least, risks aggravating rather than removing business uncertainty. Its precise scope and application may have to be defined by the European Court. Beyond that, the EC Council of Ministers is due to review – and possibly amend – it by 1994.

The "concentrations" covered by the regulation include not only full and partial mergers, but certain joint ventures and the direct or indirect acquisition by one or more companies of control over another.

The crucial test for determining whether a concentration exists is whether there is a change in the control of a company. A concentration will fall into Brussels' jurisdiction if it has a "Community dimension". That is, when:

- The combined worldwide turnover of the companies involved totals Ecu5bn (£2.51bn) or more; and
- The aggregate EC turnover of each of at least two of the companies is Ecu250m or more.

However, a merger will be exempt from the regulation if each company has more than two thirds of its EC-wide turnover in one EC country.

These thresholds will be reviewed by the end of 1993 and are expected to be revised downwards, bringing more mergers under Brussels' control.

Mergers subject to the regulation must be pre-notified to the Commission by the bidder – or by both companies in the case of a joint venture. This must be done within a week of announcement of a merger or its completion, whichever is earlier.

Notification involves supplying copious information on a special form. Failure to notify, or providing incorrect or misleading information, may result in a fine of up to Ecu50,000 (£35,100). Mergers will then automatically be suspended for three weeks. But the suspension may be extended or waived if delay could seriously damage a deal, the companies involved or a third party. There is a provision for public takeover bids to proceed subject to certain safeguards.

Companies which disregard the automatic suspension period and proceed with a merger can be fined up to 10 per cent of their aggregate turnover.

The Commission has a month from notification to decide whether a deal is covered by the regulation and if there are "serious doubts as to its compatibility with the common market".

If no serious doubts are raised, the Commission will decide not to oppose a merger. However, a member state may still intervene where one of its "legitimate interests" are involved, or a "distinct market" within a member state is affected.

If serious doubts are raised, the Commission will open formal proceedings and conduct a full investigation, which may involve hearings and on-the-spot searches, backed up by the threat of fines. It must reach a decision within four months.

In assessing whether a concentration is compatible with the common market the Commission must decide whether it creates or strengthens a dominant position which would significantly impede effective competition in the common market or a substantial part of it.

The first part of this test is based on Article 86 of the Rome Treaty, which prohibits companies from abusing an existing dominant market position.

The second part states that creation or abuse of a dominant position alone will not be enough to stop a merger. The dominant position must specifically impede "the maintenance or development of effective competition within the common market".

Market share is the most important criterion to be applied. The regulation presumes a concentration will be compatible with the common market when the combined market share of the companies involved does not exceed 25 per cent of the common market or a substantial part of it.

Nearly all the criteria are competition-related. However, the Commission may also consider some industrial and social policy factors, though they do not carry the force of law.

At the end of an investigation the Commission must decide either that:

- The concentration is compatible and can proceed. It can also require the parties to modify their plans and impose obligations as a condition of allowing the merger to proceed; or
- It is incompatible. The merger may then be blocked, or reversed if it has already been completed.

The Commission also has the power to revoke a decision of compatibility if it was based on incorrect information supplied by the companies, or if the latter have violated undertakings given as a condition of allowing the merger to proceed.

Given the ambiguities in the regulation, the questions about how it will be applied and the sheer complexity of the EC procedures, one of the few certainties is that it will keep many lawyers in business for a long time.

# Rigorous deadlines keep watchdogs on tight leash

**By Lucy Kellaway in Brussels**

THE rules are brand new. The staff are new to the job. The computer system is new. Even the gleaming offices on Brussels' Avenue de Cortenberg are so new they will not be ready until the start of next month.

The Commission's merger control machine has been assembled in great haste over the past nine months. But it cannot afford any teething troubles. The Commission is embarking on one of its most sensitive tasks yet, and bungled decisions would damage both companies' interests and its own credibility.

Even when the EC anti-trust watchdogs hit their stride, rigorous deadlines will keep them on a tight leash. Each case will have to be translated into nine languages and put to an advisory committee, which will take several weeks to deliberate. If the Commission does not reach a decision on time, the case will lapse and a merger will be automatically cleared.

The Commission has set up a special merger control task force of some 45 people, 25 of them top-grade Eurocrats and the rest support staff. This unit – which slots into the Commission's existing competition directorate – feels different from the rest of the Brussels bureaucracy. The spanking marble and chrome exterior of its offices looks like an American bank, and its planned working methods are reminiscent of a management consultancy.

"Because we are new, we can employ all sorts of new management techniques," says Mr Colin Overbury, the British lawyer in charge of the task force. The emphasis will be on group work – cases will be shared out between three teams – and on support from advanced technology.

To safeguard commercial confidentiality – a critical factor in view of the very large deals the Commission will be scrutinising – security throughout the building will be tight. Visitors must be accompanied at all times, all documents registered, all deliveries made by hand and all computers protected with hacker-proof devices.

The Commission is putting some of its best and brightest minds on the job, and has also poached some national merger experts. Each of the three teams is headed by a Brussels high-flyer: Mr Michel Petite, a Frenchman who worked in the cabinet of Lord Cockfield when he was single market commissioner; Mr Goetz Drauz, German-born Assistant Director General of the competition department, and Mr Roger Daout, a Belgian expert who has been closely involved in setting up the task force.

For the moment, everyone is expected to be a generalist, as able to tackle a merger of toothpaste makers as of oil producers or accountants – a prospect which worries some observers, given the likely complexity of the cases. At first, cases will be allocated mainly on the basis of language, though the officials will gradually build up individual areas of expertise.

Whether the system works will depend on how many cases come up. "I have a nightmare there will be no cases, and another that there will be too many," says Mr Overbury. Informal estimates range from as few as 40 to as many as 200 cases a year. EC officials say they would have trouble coping with the higher number.

Their solution is to be as flexible as possible. If things get out of hand, they can hire more people, and draw on the experience of national anti-trust bodies for information and advice.

The new system will, therefore, depend on amicable working relationships between Brussels and EC capitals.

# Potential for conflict outside EC

**By Robert Rice**

ONE of the most controversial aspects of the merger regulation is how far the European Commission can use it to intervene in mergers outside the EC. That could create serious tensions with other countries, above all the US.

The test for applying the regulation is the worldwide sales of companies involved in a merger. If these total Ecu5bn (£3.51bn) and at least two of the companies each have EC sales of Ecu250m, the regulation will apply regardless of where they are headquartered or do most business.

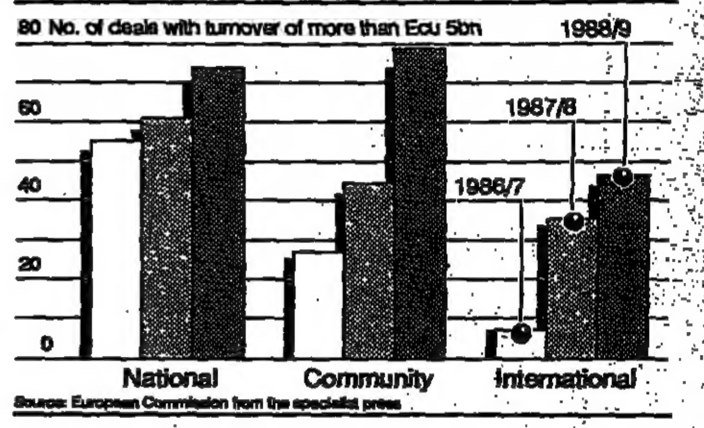
That would give Brussels authority to vet large mergers between US companies with big EC export sales or Japanese acquisitions in the US which exceed EC thresholds. Last year for example, it would probably have been triggered by the $14bn merger of Time and Warner Communications, both of the US.

Much depends on how Brussels exercises its powers. Following EC concern about US anti-trust intervention in Minorco's unsuccessful bid for Consolidated Gold Fields last year, Sir Leon Brittan proposed an EC-US treaty to avert conflicts over extra-territoriality. It would set out when the US and the EC could apply their own antitrust rules to deals taking place outside their own jurisdictions.

The proposal was well received in Washington, though little concrete progress has so far been made. If an agreement can be reached, it could be a model for similar arrangements with other non-EC countries.

For the moment, at French insistence, the regulation requires EC countries to inform the Commission if mergers involving non-EC countries encounter regulatory obstacles. If these countries are found not to offer reciprocal treatment, EC governments can authorise Brussels to negotiate agreements for comparable treatment.

**EC mergers & acquisitions**




Source: European Commission from the specialist press

# Sceptics fear damaging effect of conflicting political interest

**By Lucy Kellaway**

IF the EC's new merger policy is to be credible, it will need to be fair and consistent. Sceptics say that would be more certain if it were implemented by an independent agency modelled, say, on the West German Kartellamt, rather than by the Commission, a political body often caught between conflicting national interests.

Sir Leon Brittan, the EC competition commissioner, has a ready answer. He says any independent agency, like the Commission, would have to have members appointed by EC governments and would therefore be exposed tothe same political influences.

Some Eurocrats also argue that the Commission's diverse responsibilities enable it to take account of a wide range of factors before making decisions. But such assertions merely fuel doubts among those who – like Sir Leon – believe merger cases should be decided strictly on competition grounds.

Sir Leon and many officials in the Commission's competition directorate are widely respected. However, while they have the authority to launch investigations, they do not have the final say in competition cases. That belongs to the 17 commissioners – and their record is patchy.

Commissioners are under oath to abjure purely national interests. But when sensitive issues in their own countries are at stake, amnesia often sets in. Take the case of Douwe Egberts and Van Nelle, two Dutch coffee companies whose 1988 merger created a near-monopoly of the Benelux market.

Sir Leon wants to challenge the deal, but is being frustrated by Mr Frans Andriessen, the Dutch external relations commissioner. Nor is Sir Leon's desire for tough action against Air France's planned takeover of Air Inter exactly applauded by Mr Jacques Delors, the Commission's French president.

Much depends on who is competition commissioner of the day. Sir Leon and Mr Peter Sutherland, his predecessor, have been tough and effective advocates of free competition. But nothing ensures that their successors will be equally strong-minded.

"If things were to work like in the Douwe Egberts case, we might as well close the office at once", says a senior member of the Commission's new merger task force. "It will be used as a lesson. Cases will come regularly and if the atmosphere was poisoned like that every week, it would become very strenuous for the Commission."

Mr Sydney Lipworth, chairman of Britain's Monopolies and Mergers Commission, who initially argued for an independent EC body, now looks tolerantly on the Commission's new task force: "In time it may be that the unit should be more independent ...The new merger regulation does carefully limit the actual test to competition, and one assumes that is how the Commission will treat it."

Sir Leon Brittan: he believes European Community merger cases should be decided strictly on competition grounds

# Enough paper to fill up a lorry

**By Lucy Kellaway**

LARGE companies planning European mergers are going to have their work cut out. The EC "pre-notification" form they will have to fill in and submit to the Commission is tough, long and detailed; the required 20 copies of the completed form and 15 copies of all supporting documents will create enough paper to fill a lorry.

The Commission started by demanding information which most companies would have difficulty obtaining quickly, much of it of dubious relevance. Following howls of protest it made a major concession: the complex questions remain on the form but any company which can convince the Commission that a piece of information is irrelevant or too hard to get need not supply it.

A company is required to notify the Commission of a relevant deal within seven days of its announcement or completion – whichever is the earlier. But the Commission plans to use discretion in implementing the rules. It hopes companies will talk to it first, to discuss what information is necessary.

The form starts with names and addresses, and requests for all recent financial figures, including turnover and profit for the last three years in Ecus. It rapidly gets more complex: information required includes lists of all subsidiaries, complete with other shareholders, and other companies controlled by those shareholders.

For any market in which the two merging companies together would have a 10 per cent share, comprehensive information is sought on all its characteristics. Companies must supply figures on the size of the market broken down by EC country, details of competitors, prices charged for the products inside and outside the EC, an assessment of imports and of barriers to entry for both EC producers and others, a full history of research and development costs and cycles, and a description of distribution and service networks.

Information must also be provided about the most important suppliers and customers for each product group, and general descriptions of the market in terms of its maturity and the structure of its supply.

Even if the Commission excuses companies from completing large parts of the form, they still face a big workload.

The questions are not of the simple yes-or-no variety. A typical one reads: "Describe the various factors influencing entry into affected markets that exist in the present case, examining entry from a geographical and product viewpoint".

# Horsetrading means one-shop system remains elusive

**By Robert Rice**

THE European Commission claims its new regulation offers a clear-cut "one-stop" system of control. In practice, however, it does not.

Mergers caught by the regulation may raise competition issues in non-EC countries, while deals which escape EC control may raise such issues in more than one Community country. In such cases, companies will need to seek clearance from more than one source.

Some EC countries, particularly those with well-developed controls of their own, have proven reluctant to cede authority to Brussels. This is the case even for deals clearly covered by the regulation, which should in theory be dealt with exclusively by the Commission.

Sir Gordon Borrie, Director General of the UK Office of Fair Trading, recently made clear that the OFT would continue to scrutinise large mergers caught by the regulation to see if they raised issues which could not be dealt with at the Community level.

Sir Gordon expects companies involved in these large deals to continue to notify the OFT of their plans. "By shopping briefly at two shops initially, companies may be able to avoid the danger of double jeopardy in the later stages of a merger," he said last week.

The regulation also contains several explicit exceptions to the one-stop principle, the result of compromises made to satisfy individual EC governments.

The regulation provides for three main categories of exception:

- It enables EC governments, subject to Commission permission, to intervene in mergers with a "Community dimension" when they have an effect on a "distinct local market," although it does not define a "distinct mnarket". This loophole was inserted at the demand of West Germany.

Brussels may also allow individual countries to apply its own controls, but nothing prevents the Commission from carrying on with its own investigation under the regulation.

Hence, certain deals covered by the regulation may be subject to parallel investigations. Where these reach different conclusions, a ruling from the European Court may be needed.

The Commission expects the clause to have a narrow application, but ultimately, the precise scope of the exception may have to be determined by the European Court.

- It allows governments to ask the Commission to intervene in cases normally outside the scope of the regulation when these raise competition issues which national authorities are not equipped to deal with themselves. This exception was demanded by the Netherlands, supported by some other countries.

The clause will only apply until the thresholds for triggering the regulation are revised downwards at the end of 1993.

- It allows EC governments to intervene in cases caught by the regulation but which involve a "legitimate interest" of a member state.

"Legitimate interest" is defined to include public security, plurality of the media and prudential rules. Any other legitimate interest claimed by governments must be notified to the Commission, which must give a decision within a month.

It remains to be seen whether countries will, for example, be able to claim industrial policy considerations as "legitimate interests" justifying intervention by national competition authorities.

This exception also creates the possibility of parallel investigations and litigation before the European Court, though the Commission expects it to be used only rarely.

In addition, the Commission may still use the competition rules under Articles 85 and 86 of the Rome Treaty to intervene in mergers below the thresholds. It has specifically reserved the right to intervene in cases where the worldwide turnover of the parties involved exceeds Ecu2bn, the figure to which the regulation thresholds are expected to be lowered at the end of 1993.

Brussels has indicated that it will rarely intervene in cases below that level. In exceptional cases it may take action when a merger has a potentially serious anti-competitive effect on a niche market and action taken by an EC government is likely to be inadequate.

Article 86, which prohibits companies from abusing a dominant market position, may also be used by companies to bring a private action in national courts to block hostile takeover bids. If this is used regularly by target companies as a defensive tactic in deals which fall below the regulation thresholds, it would represent a serious breach of the one-stop principle since these bids should in theory only be open to challenge under national law.

# Importance of social policy criteria unclear

**By Robert Rice**

AMONG the issues left open by the regulation is how far industrial or social policy criteria can be applied in EC merger decisions.

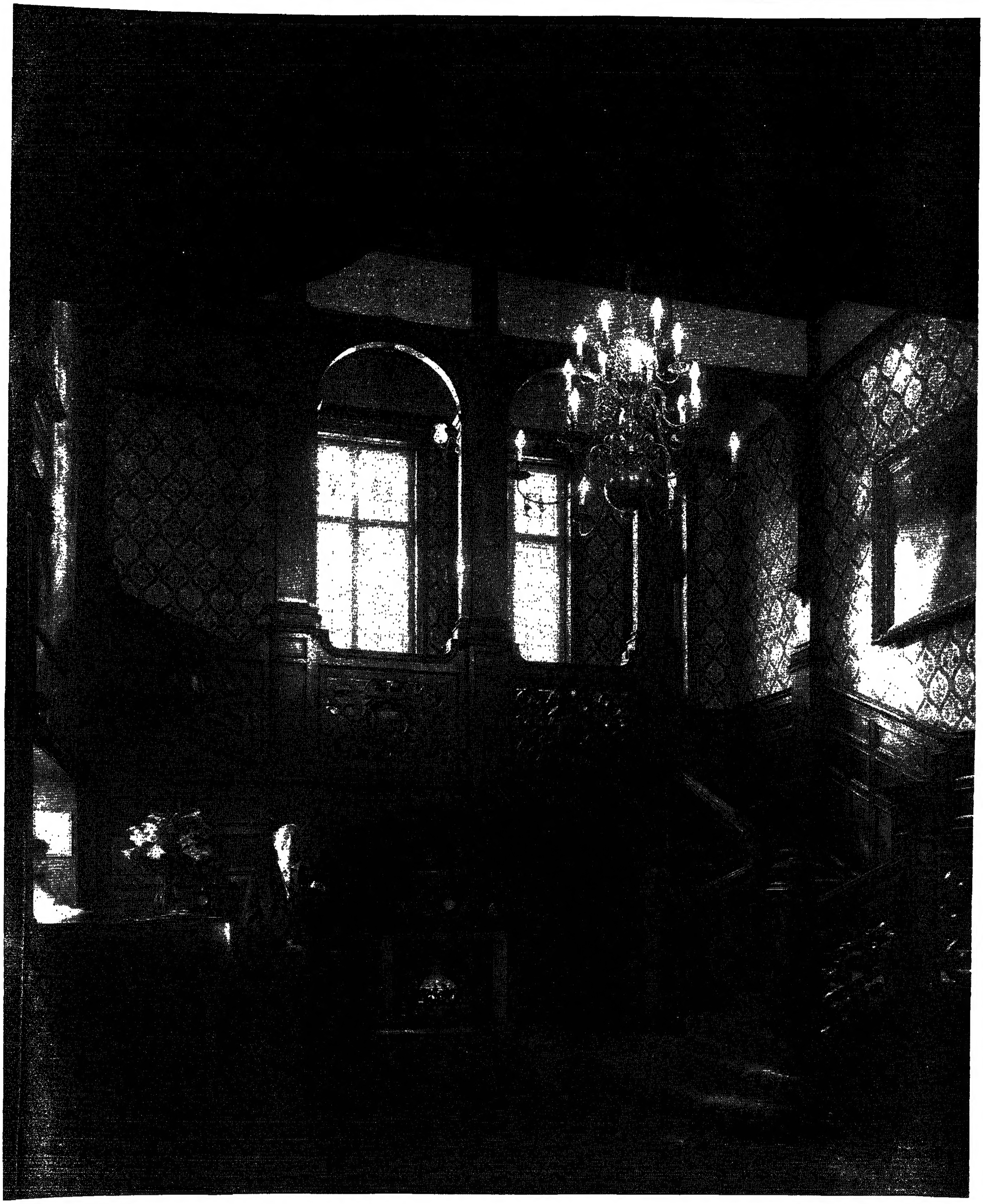
This point aroused fierce debate during negotiations. West Germany and Britain insisted only competition criteria be used to assess whether a merger was "compatible with the common market". The final regulation broadly reflects that view.

The most important criterion is the combined market share of the companies involved. A market share below 25 per cent is likely to be found compatible. More than 40 per cent is likely to be incompatible.

Between these levels, a dominant market position will be judged by reference to criteria such as market structure, actual or potential competition from inside or outside the EC, supply and demand and barriers to market entry.

The Commission is also required to take into account the fundamental objectives of the Community, including economic and social cohesion. That may help companies make a case for clearing mergers which would result in a high market share. It may also help targets of hostile bids defend themselves by arguing, for example, that a merger would boost regional unemployment.

It is unclear how far the Commission will take non-competition criteria into account, but the potential for conflict with EC states is obvious. In many cases, the European Court may have the final say.



EUROPEAN NEWS

# Bundesbank adds a voice to Bonn's go slow chorus on EMU

## Broadside on conditions for early action on economic and monetary union encourages a cautious approach, writes Andrew Fisher

IT WAS not the intention of Mr Karl Otto Pöhl, president of the Bundesbank, to torpedo sterling when he summoned journalists this week to set out why Germany's central bank thought progress towards European economic and monetary union (EMU) should be cautious and measured.

Mr Pöhl's message was mainly for Bonn. The paper presented by the bank and his comments were aimed at strengthening the resolve of those, like Chancellor Helmut Kohl, who are keen to go slowly, against those, like Mr Hans-Dietrich Genscher, the Foreign Minister, who want a faster pace to promote European integration.

But sterling's panicky reaction bore out one aspect of the message – that the economic gap between EC member states is growing. The bank said the divergence in terms of inflation, budget deficits and trade imbalances was particularly marked in the UK, Portugal, and Greece (which are not in the European Monetary System) and Italy and Spain (which are).

Ominously, it said the widening economic gulf mostly reflected "the considerable differences in institutional structures, economic fundamentals and the attitudes of management and labour."

Thus: "An early irrevocable fixing of exchange rates and the transfer of monetary policy powers to Community institutions would involve considerable risks to monetary stability, especially for Germany." Mr Pöhl expressed confidence that Mr Kohl had taken this on board. He was less sure about Mr Genscher.

The Bundesbank wants the government to tell the next EC summit that compromises deviating from the Bundesbank's approach on EMU are unacceptable. "Otherwise, in view of the substantial risks involved, the favourable expectations entertained of such a union might well be disappointed."

Mr Pöhl also raised the "visual lesson" of the D-Mark's introduction into East Germany. EMU could not be compared with such a "crass, extreme example" as German currency union, necessary to stop a human exodus. But it showed what could happen in the way of high unemployment and heavy public financing costs, if national exchange rates were given up too early.

Thus the Bundesbank argued that developments in eastern Europe and Germany meant that freedom for manoeuvre in monetary and budgetary policy should not be given up until the economic situation in Germany and the EC had become settled.

"By then, at all events, the risks inevitably associated with the transition to an economic and monetary union in the EC will be more readily appraisable." It also stressed the need to be resolute against inflation. "It must be ensured that the same stability record can in future be achieved at Community level as has hitherto been registered in West Germany."

The bank wants the following points to be contractually safeguarded:

- EMU's basis must be an economic union, open to third countries and with lasting convergence of anti-inflation policy. Some deficiencies still needed to be overcome, especially in the harmonisation of indirect taxes, an essential precondition for lifting border controls.

"Another indispensable element of an economic union is an adequate commitment on the part of all member states to a lasting anti-inflationary stance." Financial policy decisions would largely remain in the hands of member states, so "contractual arrangements (including binding rules and sanctions) to ensure effective budgetary discipline in all member states will have to be adopted at Community level."

- In EMU's final stage, monetary policy will have to be formulated by a European Central Bank System (ECBS), which must:
  – give priority to pursuing monetary stability;
  – have guaranteed independence;
  – largely include EC national banks as integral parts. These should no longer follow their own policies;
  – have a Council (to set monetary policy targets) and an executive board (to implement them). The council should comprise the national central bank governors and the board members;
  – have all the necessary monetary policy instruments;
  – have sole responsibility for foreign exchange market intervention;
  – be under no obligation to lend to public authorities.

"Because of the far-reaching political implications, the ECBS statute and the rules on budgetary discipline should be specified in the Treaty," the report said.

To reach the final stage of EMU, the Bundesbank said "a lengthy transitional process" would be needed. At the end, the following conditions must be satisfied:

- Anti-inflation policy must have converged so that price differences have been largely stamped out, budget deficits reduced to a tolerable level, and capital market rates virtually harmonised.
- EMU members must have participated fully in the EMS exchange rate mechanism and have liberalised capital movements.
- National central bank statutes must be harmonised so they can become integral parts of the ECBS. This would include monetary policy instruments.
- The contractual arrangements on budgetary discipline in all member states must be adopted at Community level.
- The single market programme must have been realised fully, including the dismantling of border controls.

To pave the way for the transition to the final stage, the Bundesbank said efforts to co-ordinate monetary policy should be stepped up. Monetary policy instruments should be increasingly harmonised, central banks' independence safeguarded, budget deficits cut, and the ECU (a basket of EC currencies) hardened by laying down that it cannot be devalued against any EC currency.

The Bundesbank opposed timetables. Progress should depend on "the fulfilment of previously defined economic and economic policy conditions."

Mr Pöhl said the Bundesbank's points were indispensable, not optional. It could only consider giving up the D-Mark and transferring its rights as an independent, efficient central bank to an EC institution if the new system "is at least as good as what we have now."

Foreign Minister Hans-Dietrich Genscher's (left) enthusiasm for early EMU is not shared by Chancellor Kohl (centre) or Karl Otto Pöhl, the Bundesbank president

# Sharp attack on Soviet reformers

By Quentin Peel in Moscow

THE SOVIET government yesterday launched a furious counter-attack on radical plans for an immediate transformation of the Soviet economy, warning that they would cause rampant inflation, a slump in production, and a drastic decline in living standards.

It came on the eve of a crucial vote in the Supreme Soviet, or national parliament which is expected to approve in principle the strategy of the Shatalin economic reform plan, now backed by both President Mikhail Gorbachev, and the giant Russian federation headed by Mr Boris Yeltsin.

At the same time, the weakness of central government control was underlined again, as the parliament of Ukraine, the second largest republic and the country's most important grain producer, passed a resolution to restrict food exports to the rest of the country.

The growing tension caused by food shortages prompted officials from the far northern region of Komi into sending an urgent appeal to President Gorbachev. It warned that if central supplies of food were not ensured, the republic would switch to barter trading. In a report Tass said it was fearful of "mass disturbances".

In Moscow, rumours are rife that Mr Nikolai Ryzhkov, the embattled prime minister, had already resigned after the Russian parliament voted by an overwhelming majority for the whole government to quit. The rumours were flatly denied by government officials, who released instead the text of the government's counter-blast against the Shatalin reform plans, drawn up by Dr Leonid Abalkin, the deputy premier in charge of economic reform.

In a last-ditch attempt to dissuade deputies from voting for the Shatalin plan, Dr Abalkin said it would increase prices far more than the government's controlled price rises, with inflation running at 200 to 250 per cent by the end of 1991. He warned that attempts to stabilise money supply be drastic cuts in the state budget deficit would fail, because of spending commitments already approved by the Supreme Soviet, including the repayment of outstanding government debt.

In an argument calculated to appeal to conservative trade unions, he said that the Shatalin plan to link wages only to the prices of consumer essentials would hit those already on the poverty line. The government is proposing 100 per cent compensation to wage earners, indexed to the full consumer price index.

Members of the Shatalin group of economists say the government's plan, in contrast would be massively inflationary, increasing the budget deficit from the current Rbs90bn to as much as Rbs340bn - more than the entire state revenues for next year.

The problem for the government is that it has itself signally failed to deliver any workable economic reform plan itself, and elected deputies in both republican and union parliaments are desperate to find any alternative remedy.

# Moscow sees decontrol of energy prices by 1992

By Richard Gourlay

THE Soviet Union hopes to introduce a free market system of energy pricing by early 1992, raising the prospect of substantial price increases for domestic and industrial power users throughout the country.

Dr Yuri Chernegov, deputy minister in the Kremlin Bureau of Fuel and Energy, said the Soviet Union planned to base oil, gas and fuel to domestic users on world price levels some 12-18 months after price controls were lifted on consumer goods on January 1 next year.

Speaking after a conference on Soviet energy in London, Mr Chernegov said he hoped rouble convertibility for trade on the current account at least would be in place by that date.

He stressed that both the Soviet government and the group of reformers led by Professor Stanislav Shatalin agreed on the timing for the liberalisation of energy prices and the January 1991 date for consumer prices to be freed.

The reforms are expected to go a long way to meeting the needs of Western oil companies which see huge joint venture development possibilities in oil and gas exploration. Without prices set at world levels, to allow sale of oil at economic levels, and convertibility of the rouble, to allow expatriation of profits, oil companies are reluctant to make serious long term commitments of capital.

# Polish election date likely to be agreed soon

By Christopher Bobinski in Warsaw

POLAND'S election campaign opened yesterday when former communists launched an attack on Government policies in the midst of a debate on when and how to hold parliamentary and presidential elections.

Proposals for an election within two months to replace President Wojciech Jaruzelski, appear likely to win a majority when the debate continues today. But a majority in Parliament seem opposed to the first past the post electoral law for the elections which are being proposed by the OKP, the Solidarity group.

Some deputies however were more intent on criticising Mr Tadeusz Mazowiecki, the Prime Minister, than resolving the poll issue. Mr Wlodzimierz Cimoszewicz, the leader of the largest of the parliamentary groups under which former communists are grouped, warned that the Government's policies risked provoking "social conflicts born more of despair than just mere discontent".

The attack came after the PSL, a farmers party once allied to the Communists, declared it was withdrawing its support for the Government.

# Swiss neutrality no barrier to joining EC, says Thatcher

By Ivo Dawnay in Berne

MRS Margaret Thatcher, the UK Prime Minister, yesterday welcomed Switzerland's "more prominent role" in international affairs, insisting that its neutrality was no barrier if it sought full membership of the European Community.

Speaking on the first ever official visit of a British leader to the country, Mrs Thatcher said that President Arnold Koller had used their opening talks to ask her views on the possibility of Switzerland joining the EC.

While acknowledging that problems might lie with the Swiss political system of frequent referenda on major issues, she ruled out any difficulties over neutrality, pointing out that Ireland shared the policy.

Asked later whether Britain would back a Swiss application for membership, she replied: "Neutrality is in no way a bar. We would welcome an increasing role by a vital country like Switzerland in international affairs. Whether they choose to take it is a matter for them."

After talks centred on spelling out Mrs Thatcher's views on political and monetary union within the EC, the prime minister appeared satisfied that the Swiss position was close to hers and opposed to moves towards a strongly centralised federation. Under Swiss law major decisions must be put to a ballot of all citizens and require majorities of both the voters and the 26 cantons to win approval.

Thatcher: praises Swiss

In 1986, a national referendum soundly rejected the country joining the United Nations. Even the country's recent support for UN sanctions against Iraq has provoked opposition from the toughest advocates of a neutrality posture.

Nevertheless, the issue of EC membership is now firmly on the national agenda with pro and anti groups forming in parliament. Switzerland is presiding over the negotiating team of the European Free Trade Association (Efta) in talks with the EC on an extended European economic space after 1992.

This aims to tighten trade relations between Efta - Switzerland, Finland, Sweden, Norway, Iceland and Austria - and the Community once the EC's single market is in place. Any discussion of new members of the EC - Austria has already applied - has been ruled out by Brussels until 1993.

In a welcoming speech to the prime minister last night, Mr Koller made clear that Swiss foreign policy was now "being logically adapted to a completely new international environment." He went on: "The development of the EC and the breathtaking collapse of communism in Eastern and Central Europe have further increased our awareness that our destiny lies in Europe.

"The realisation of the concept of a larger Europe where political and economic freedom, human rights, democracy and justice are fully respected is no longer an object of mere wishful thinking.

Mrs Thatcher told Mr Koller that she would actively support for Switzerland's recent application to become a member of the International Monetary Fund.

# Mixed reaction in Bonn over troops withdrawal

By David Marsh in Bonn

WEST Germany is reacting with a mixture of satisfaction and unease to plans by Nato to withdraw as many as 150,000 troops from German soil over the next few years.

The US, which has the lion's share – about 250,000 soldiers and airmen – out of the 400,000-strong foreign contingent, announced on Monday that it is withdrawing 60,000 men over the next few years.

Although many West German residents will be pleased about fewer manoeuvres, less low-flying and reduced congestion from army vehicles, there has also been concern about the effects on employment.

The US army in Germany is estimated to pump DM12bn (£4bn) annually into the economy through consumption, rents and services, and gives work directly and indirectly to an estimated 170,000 Germans.

The British Army of the Rhine injects an annual DM2.3bn into the two northern states of North Rhine Westphalia and Lower Saxony, according to army estimates.

Ms Monika Wolf-Mathies, chairman of the public sector and transport trade union, has written to Chancellor Helmut Kohl calling for co-ordination among government authorities to avoid economic hardship.

# UK forces' role in Germany 'will continue'

By David Marsh in Bonn

GENERAL Sir Peter Inge, the Commander in Chief of the 55,000-strong British Army of the Rhine (BAOR), has two important tasks on his mind. He is supervising preparations to dispatch shortly an armoured brigade – 6,000 men and 120 tanks – from Germany to the Gulf as part of the Middle East military build-up.

In the longer term, he is pondering how to cut the British army presence in Germany by about half in the next five years as part of the general reduction of allied troops.

The BAOR has occupied its headquarters close to Mönchengladbach near the Dutch border since the beginning of the 1950s. Negotiations with federal and local government authorities affected by the pull-out across the whole of northern Germany are expected to continue until well into next year.

The BAOR and the Royal Air Force in Germany – which accounts for another 11,000 men – make use of 47 garrisons and bases in the northern German states. The property on which decisions about future deployment have to be made is spread around 500 different parcels of land.

Sir Peter, a dome-headed figure looking like a jovial spymaster, is adamant that a British presence will still be needed in Germany, even after the Soviet army pulls out of East Germany by end-1994. France, by contrast, reaffirmed on Tuesday that it intended to withdraw all its 50,000 soldiers in south-west Germany.

Sir Peter said: "There will be a need for stationed forces, also after the Soviets pull out. The Germans want us there as good partners – partly because we cannot be clear about how stable Europe will be in future."

He has his eyes on possible use of Soviet training areas in East Germany after 1994 – even though last week's Moscow Foreign Ministers' accord on German unity greatly circumscribed the chances of such manoeuvres.

The General also commands Nato's Northern Army group, made up of German, British, Dutch and Belgian forces fanned out across northern Germany. He says that multinational forces "will have a role to play" in the future Nato presence in Germany.

In contrast to the 4,000-strong nascent Franco-German brigade in southern Germany, Sir Peter favours integration higher up the size scale – through a 25,000-strong multinational corps staffed by several nations, with national divisions beneath.

He does not believe that European peace and stability have necessarily broken out. "We will need forces adapted to a very different battle of manoeuvre, and to prepare for a more technical war. The lesson of history is that the unexpected will always happen."

# Italian union set to sever Communist link

By John Wyles in Rome

ITALY'S largest trade union confederation, the CGIL, faces a period of political upheaval and democratic change following a proposal from its secretary general, Mr Bruno Trentin, that its dominant Communist Party faction should be dissolved.

Reaction within the union, which has more than 4m members, has been uniformly favourable among both Communist members and the Socialist minority.

The Communist welcome partly recognises that Mr Trentin's initiative makes something of a virtue out of necessity since the union's leadership was being increasingly paralysed by the backwash from the Communist Party's own internal divisions over attempts to relaunch it as a radical socialist party with a new name.

Although the CGIL has an apparently democratic structure, all major policy decisions have been taken within the ruling communist group.

An agreement has then been laboriously mediated with the minority linked to the Socialist Party and also with a small third component without any party affiliation.

The proposal for a slow dissolution of the communist component is expected to be endorsed at a conference of the communist faction next month.

Thereafter the union could be led by a genuinely democratically elected figure who may even be a Socialist.

Mr Ottaviano Del Turco, Mr Trentin's deputy and the most credible Socialist candidate for the leadership, was delighted yesterday about the prospect of freeing the union's affairs from the bondage of Communist Party politics.

It would be, he said, "the end of an era" and the end of an eighteenth century conception of the trade union as a permanent antagonist.

Having himself first called for just such a change in July, Mr Del Turco said the opportunity now existed to crate "a reformist union which, at the same time, would be an instrument for conflict as well as one for co-operation".

# Nato warns EC against trying to run before it can walk

By David Buchan in Brussels

NATO yesterday cautioned the European Community that, in the field of security, it should not try to run before it had learnt to walk.

In the latest bout of what often seems like guerrilla warfare between these two Brussels-based institutions, Mr Manfred Woerner, Nato secretary general, said that the EC could not replace his own alliance organisation in maintaining peace across Europe because it lacked Nato's tie with the US and its military competence.

But both Mr Woerner and Mr William Taft, the American envoy to Nato, acknowledged at a US-sponsored conference yesterday that the EC's security role would, and should, progressively increase, and stressed that the Atlantic and European organisations should not see each other as rivals.

"Where there is overlap, there should be timely co-ordination," said Mr Woerner.

However, the past few days had shown that the Community's goals of acquiring a military dimension could only be "long term," said the top Nato official. He was referring to the stunned reaction of some EC states, including neutral Ireland, to Italy's proposal to the EC Council of Ministers that the EC should assume the defence policy role of the Western European Union (WEU).

The Gulf crisis came when Nato and the EC were both looking for a new roles – Nato, because real peace has broken out in the East and the EC because defence policy would crown the political union that is soon to be negotiated.

However neither organisation has lived up to the hopes of its enthusiasts. Nato discussions have tended to highlight differences between the US and the Europeans. Mr Woerner did this again yesterday by saying that "some allies still could, and should, do more" by sending ground troops to join the Americans.

Nor has it been an occasion to swing Nato's increasingly under-used command structure at Supreme Headquarters Allied Powers Europe into action because the Gulf crisis lies outside its geographic boundaries. The Community's record of internal agreement has been just as bad, with squabbles over Gulf-related EC aid casting a shadow over its better performance on the diplomatic front.

So both organisations are looking for remedies. Mr Woerner echoed yesterday the recent call by his Nato military counterpart, General John Galvin, for Nato to re-think its inhibitions about acting "out of area."

By contrast, EC states have no inhibitions about co-ordinating their foreign policies far and wide – just about the military aspect of those policies. So the core of the proposals by Mr Gianni De Michelis, Italy' activist foreign minister, is that the EC, as part of its forthcoming political union negotiation, should take over from WEU the job of co-ordinating European military deployments out of the Nato area.

The "out of area" issue is trickier for Nato. It is hard to define. As one Nato envoy noted yesterday, "if the Hungarians and Romanians were to go to war over ethnic issues, that would be "out of area" for Nato, while if Libya were to fire missiles at Italian islands – which it has done – that comes within the Nato area."

It might also be very unwise to launch anything in the Third World under a Nato flag. That would be very divisive and might, in the Gulf, dissuade any Arabs from co-operating. By contrast, the WEU is too nebulous an organisation to have any connotations, good or bad, in the rest of the world.

However, it is not clear whether by subsuming the WEU, the EC would automatically find it easier to agree on military matters than nine of its members do inside the WEU.

Part of the problem for Italy and some other EC states is that they want to advance on the 1987 Single European Act which already says that EC states should dovetail their policies on security. Writing the word "defence" into a new EC treaty would indeed be a advance, but one at which several states would probably baulk.

However, if the United Nations were to assume more importance than even at present seems likely, and if the only joint military operations that the Europeans were to conceive of were under UN auspices, then the path to a European defence community would be smoother. Yet the more important the UN becomes, the more Britain and France will come under pressure from fellow EC states to share, or even cede, their permanent seats on the UN Security Council.

# Pretoria accepts changes to trade union laws

By Philip Gawith in Johannesburg

THE South African Government has accepted recommendations involving big changes to the country's labour laws, in a move which should help defuse a highly charged industrial relations climate.

The move comes just two days before Mr Eli Louw, Minister of Manpower, leaves on a tour which will take him to the annual International Labour Organisation meeting in Geneva, the first South African cabinet minister to attend this gathering since relations were broken off in 1964.

Mr Louw said yesterday the cabinet had accepted recommendations agreed on between himself, the employer body Saccola, and union groups Cosatu and Nactu.

The broad effect of the agreement – an amended version of an accord signed with the union groups in May – is to restore the industrial relations position to where it was before 1988 amendments to the Labour Relations Act, widely considered to have been hostile to unions.

Mr Louw described the agreement, reached after six months of negotiation, as "a milestone on the road to internationally accepted labour legislation".

As a result of the agreement, Cosatu and Nactu have agreed to call off a stayaway planned for October 8-10 to protest against the government's dilatory approach to implementing the May accord.

The likelihood of a stayaway ending in violence in the current climate in South African black townships would have been high.

The main amendment to the Labour Relations Act concerns the definition of an unfair labour practice.

In future, said Mr Louw, strikes and lock-outs would not be judged by the Industrial Court on the basis of whether they were fair or not, but in terms of whether they were legal or illegal.

Mr Louw said he viewed the change as an improvement because it would lead to greater certainty. The court would still have guidelines to follow, but these would be discretionary rather than prescriptive.

Other features of the agreement include a provision for damages to be claimed in the event of illegal strikes and lock-outs, a commitment to dialogue to resolve conflict whenever it arose, and agreement by Cosatu/Nactu to participate in a restructured National Manpower Commission.

Mr Louw said the accord, as modified, would be translated into legislation for submission to parliament before the end of the month.

Eli Louw: will attend ILO meeting in Geneva

# Indian Airlines to go ahead with Airbus purchases

By K.K. Sharma in New Delhi

INDIAN AIRLINES, the government-owned domestic carrier, has decided to buy four more Airbus A-320 aircraft before the end of September when its option to acquire the aircraft expires.

The airline's current fleet of 14 Airbuses was grounded when an A-320 crashed just before landing at Bangalore in February.

A decision on when to resume their commercial operations has still to be taken by the government.

An airline official said yesterday that commercial operations will begin as soon as this clearance is given.

An inquiry into the cause of the Bangalore crash is continuing. It could be several weeks before the report of a court of inquiry into the crash will be submitted.

Nevertheless, the decision to exercise the option to buy four more of the aircraft suggests that both the Government and Indian Airlines are now satisfied with the performance of all the A-320.

At present, four of the fleet are being used to repatriate Indians stranded in the Gulf region. The others are still grounded.

The Government is taking steps to ensure that operational safety measures suggested by a committee headed by Air Marshal S.S. Ramdas – who has recently taken over as managing director of Indian Airlines – are implemented before commercial flights are resumed.

These relate to training of pilots, engineers and other crew as well as readiness of Indian airports to handle the A-320.

● Yesterday Mr Bob Alizart, an Airbus Vice-President, had told Indian reporters that the consortium had set a non-negotiable deadline of September 30 for the delivery of the aircraft, Reuter adds.

"We will press for breach of contract," Mr Alizart said in the south Indian town of Bangalore, where 92 people died when one of the "fly-by-wire" planes crashed on February 14.

An Indian Airlines spokesman, asked to comment, said: "We will be taking delivery of the aircraft before the deadline."

The aircraft that crashed was one of 15 already delivered to Indian Airlines, the country's state-run domestic carrier.

Mr Alizart said the crash had not affected orders. "For A320s alone we have had 100 firm orders after February 14."

# Cracks show in minister's China claim

By Angus Foster in Hong Kong

LORD CAITHNESS, British minister with special responsibility for Hong Kong, yesterday claimed China's domestic behaviour has improved since last year's crackdown in Peking. He was unable to give any examples of the improvements.

The claim came a day after China reported it had executed 65 people in neighbouring Guangzhou province for criminal acts. A report last week from the Amnesty International human rights group said China's judicial system gave few grounds for appeal.

Lord Caithness was speaking at the end of his first visit to Hong Kong.

He said Hong Kong people could rely on the British Government. Those claims were called into doubt earlier this week when Mrs Edwina Currie, the former British Health Minister, on a visit to Hong Kong, told people in the colony they should now look after themselves.

Several liberal leaders in Hong Kong have described Lord Caithness's visit as a public relations assignment. They complain his appointment as successor to Mr Francis Maude has shifted Hong Kong's problems to the House of Lords before the colony's return to Chinese sovereignty.

# Manila asks US to leave air base within one year

By Greg Hutchinson in Manila

THE Philippines yesterday told the US to leave its Clark Air Base within a year, saying it intended to repossess the facility and convert it to civil aviation use.

Clark, the largest American air base abroad, is still regarded by the Pentagon as a key installation in its security umbrella for the Asia-Pacific and the Indian Ocean in spite of worldwide cuts the US military announced this week.

Mr Rafael Alunan, spokesman for the Philippine panel in the current Philippine-American Co-operation Talks, said the country intended to assume full operational control over the base. "The Philippines took the position that it shall assume sovereign control of Clark as soon as possible," he added.

But he left open the possibility of the US presenting a counter-proposal for access by the US military and others at Clark, 50 miles north of the capital. Clark has been mooted as an alternative international airport for Manila, and plans have been presented to President Corazon Aquino suggesting that such a scheme could be viable. He said the Philippines may be open to proposals from the US for paid landing rights, possibly by their military aircraft.

Thousands of Filipinos earn comparatively high wages at Clark, which is home for about 10,000 US military personnel. The plan to convert Clark to civilian use, possibly as a new airport, is thought to be a way of softening the impact of a sudden US withdrawal on the local economy.

Mr Stanley Schrager, spokesman for the US panel, said Washington wanted to continue operations from Clark and would still want a treaty with Manila for its use beyond September 16, 1991, when a lease over Clark and five other installations expires.

Meanwhile, the US warned of a possible bombing in downtown Manila. The American embassy advised Americans against venturing close to the embassy – believed to be the most likely target of a bomb attack – unless absolutely necessary.

"The threat is both specific and credible," US officials said. Ten Americans have been murdered since 1987 in a campaign to have the bases removed.

# Seoul budgets for balanced 19.8% growth

THE South Korean gove:nment has proposed a balanced budget for calendar 1991 with revenue and spending each rising 19.8 per cent to Won 27,183bn (£20bn), according :o Economic Planning Board officials, Reuter reports from Seoul.

The budget, which forecasts real gross national product growth of 7.5 per cent in 1991 and a 5 per cent GNP deflator, will go before parliament by early October for debate. The proposed rise is the highest since 1982 when the budget increased by 22 per cent.

A trade deficit of $4bn is envisaged, about the same level forecast for this year.

A board official said the government gave more emphasis on projects related to easing housing, traffic and environment problems, development of rural areas and promotion of exchanges between South and North Korea. Opposition politicians say spending increases are because of general elections in early 1992.

Defence spending was set at Won 7,77.4bn, up 12.9 per cent and accounting for 28.6 per cent of total spending.

# Cambodian head of state leaves for Moscow

PRESIDENT Heng Samrin of Cambodia has set out on a trip to the Soviet Union, according to the Cambodian news agency SPK, AP reports from Bangkok.

He was accompanied by Im Chhunlim, central committee member of Cambodia's ruling Communist Party. The Soviet Union has been the main backer of the Vietnamese-installed government in its 11-year war against three allied guerrilla factions.

Talks broke down in Bangkok on Wednesday between the warring factions to discuss aspects of a peace plan drawn up by the five permanent members of the United Nations Security Council. Thailand, a key mediator in the talks, strongly voiced its frustration at the collapse but offered yesterday to host a new session if Cambodian factions wish.

The Vietnamese-installed Cambodian government and their guerrilla opposition suspended their Supreme National Council meeting because of quarrels over how resistance leader Prince Norodom Sihanouk should be brought into the council.

# Japan bail-out offer in NZ

A POLITICAL row flared in New Zealand yesterday after Mr Jim Bolger, the opposition leader, leaked news of a government offer to help bail out the mainly Japanese creditors of DFC New Zealand, a collapsed merchant bank, Reuter reports from Wellington.

Mr David Caygill, the Finance Minister, accused Mr Bolger of betraying the government's trust when he was briefed on the proposal, which includes a big state underwriting offer. Mr Caygill said he had not demanded confidentiality but assumed Mr Bolger would keep quiet in New Zealand's interests.

"For the sole purpose of scoring some cheap political points, the man put at risk sensitive negotiations in relation to the DFC settlement," Mr Caygill said. An election has been called for next month, in which Mr Bolger's National Party has a strong opinion poll lead.

DFC crashed last October when the government-controlled National Provident Fund, its main shareholder, refused to mount a rescue. At the time Mr Caygill ruled out any government bail-out to compensate the Japanese institutional creditors.

But Mr Bolger, who leads the centre-right National Party, told reporters: "There is a series of underwritings that total up to almost NZ$900m (£294m) and there's NZ$100m up front."

DFC has offered to repay mostly Japanese creditors NZ$2.2bn over seven years.

# Tamil Tigers said to have hacked 40 villagers to death

TAMIL rebels stormed a Sri Lankan village and shot and hacked to death 40 villagers, including women and children, of the majority Sinhalese community military sources said on Thursday, Reuter writes from Colombo.

They said about 30 Liberation Tigers of Tamil Eelam guerrillas on Wednesday attacked Wellamundal, a fishing village in north-western Puttalam district. The Tigers, fighting for a separate state for minority Tamils in the north and east, also set fire to a large number of fishermen's huts in the hamlet.

"Some wounded children are reported to have been flung into the raging fire of the burning houses," the state-run Observer newspaper said.

Seven villagers escaped. Two fled in a fishing boat and were rescued by the navy and a third ran to a hospital after being stabbed. Four sought refuge in a nearby army camp.

Troops from the camp who tried to help the villagers were thwarted by hundreds of land mines laid by the Tigers. They later went to the village in boats.

The incident could not be verified by independent sources.

The Tigers launched a fresh offensive against security forces in June after abandoning 14 months of peace talks with the government.

Security forces counter-attacked and drove most of the rebels from towns in the east before turning their guns on the Tigers in the north, where they are strongest.

Deputy Defence Minister Ranjan Wijeratne said the Tigers had lost 76 of their area leaders in battles with the security forces since the fighting erupted three months ago.

"Their cadres are in disarray. We have smashed up the hardcore leaders," he told a news conference.

Wijeratne said troops who launched a major offensive in the northern rebel stronghold of Jaffna last week were consolidating their positions in an area around a military garrison.

The troops had broken a rebel siege of the garrison in an old colonial fort where 200 soldiers and policemen had been trapped for three months.

Wijeratne said the Tigers, sniping from sewerage canals, were holding up troops advancing into other parts of the town, the heart of the Tamil community.

Parliamentary Affairs Minister Vincent Perera urged parliament to extend a state of emergency for another month.

# New evidence of recession as growth of money slows

By Rachel Johnson, Economics Staff

THE EVIDENCE of recession mounted yesterday as figures showed a sharp slowdown in the growth of money in the economy.

The Bank of England announced that M0, the narrow measure of money almost entirely consisting of notes and coins in circulation, had fallen for the first time for a year into the 1-5 per cent target range set by the Treasury in the Budget of 1988.

Since that Budget, M0, the Treasury's preferred indicator for its close relationship with retail sales and consumer spending, has never been on target except for a freak occurrence last September when a postal strike affected the supply of cash.

Yesterday the Treasury welcomed M0's falling growth rate from 5.5 per cent in July to 4.9 per cent in August, which it said was "properly inside its target range."

"The figures clearly show a slowdown as a result of firm monetary policy," it said.

The authorities were also pleased by the "subdued" £4.8bn figure for bank and building society lending to the private sector.

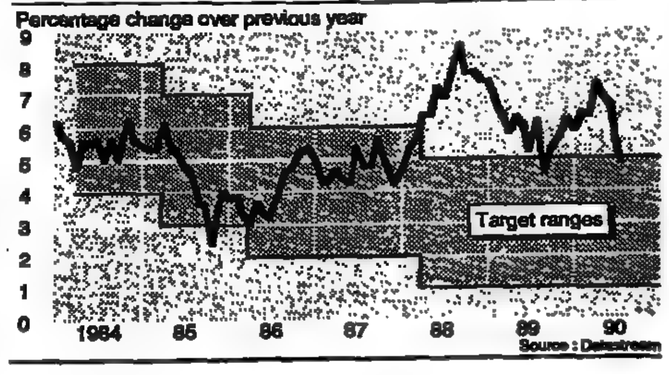
The broader measure of money, M4 – cash and deposits held by the private sector at banks and building socities – confirmed the downwards drift of monetary growth. Its annual growth rate shrank from 16.3 per cent in July to 15.5 per cent in August.

City economists declared the money supply data to be unambiguous evidence of the pronounced economic slowdown. All the monetary aggregates were, for once, pointing in the same downwards direction, they noted. This convergence of the aggregates was a pattern economists had observed in the first half of 1982, too late to take action to prevent the recession of 1980-1981.

Mr John Shepperd, economist at Warburg Securities, said reduced monetary growth was consistent with the recessionary indicators of rising unemployment, falling retail sales and the squeeze on the corporate sector. Yesterday's figures were "no blip," he said. The trend would continue on the basis that notes and coins in circulation for the first three weeks of this month heralded a further drop in the M0 growth rate to 4.7 per cent in September.

However, the consensus of expectation was that it would be uncharacteristic were the Chancellor to cut interest rates soon.

**Money Supply MO**




## BRITAIN IN BRIEF

### Lonrho serves writs on Fayeds

Lonrho, the international trading conglomerate reopened the battle for control of the House of Fraser stores group by issuing writs against its owners, the three Fayed brothers and House of Fraser Holdings.

Lonhro is claiming the recovery of its 29.99 per cent stake in House of Fraser that it sold to the Fayeds in 1984 and the transfer to Lonrho of all the remaining shares in the group which owns Harrods.

The grounds for its action are that the Fayeds made fraudulent misprepresentations both to Lonrho and to the regulatory authorities about their commercial standing, background and financial position before and during their successful £615m bid for House of Fraser in 1985.

Mr Michael Cole, a spokesman for the Fayeds described Lonrho's action last night as the "last gasp" in the "longest whinge in British commercial history."

### John Lewis profits fall

John Lewis Partnership, the department store and supermarket retailer, revealed a 21 per cent fall in interim pre-tax profits to £33m as it struggled in the face of difficult high street trading conditions.

Mr Peter Lewis, chairman, told the group's 32,000 partners (employees) that divisible profits for the year were also likely to be lower than in the previous year.

### By-election date announced

The by-election to find a successor to Mr Ian Gow, the Conservative MP murdered by the IRA, will be held on October 18, it was announced.

Conservative and Liberal Democrat candidates have been chosen, and Labour is expected to announce its selection on Monday.

### ABTA backing withdrawn

The Association of British Travel Agents withdrew its backing for the troubled Exchange Travel chain which was put into financial administration earlier this week. The move follows a meeting of ABTA's Travel Agents Council which decided that Exchange was not in a sufficiently stable financial position to retain ABTA membership.

### Lawyers alter the rules

The Bar is to change its professional rules to allow barristers employed in commerce and industry to offer advice direct to their employers' clients for the first time.

### Halifax profits grow by 20%

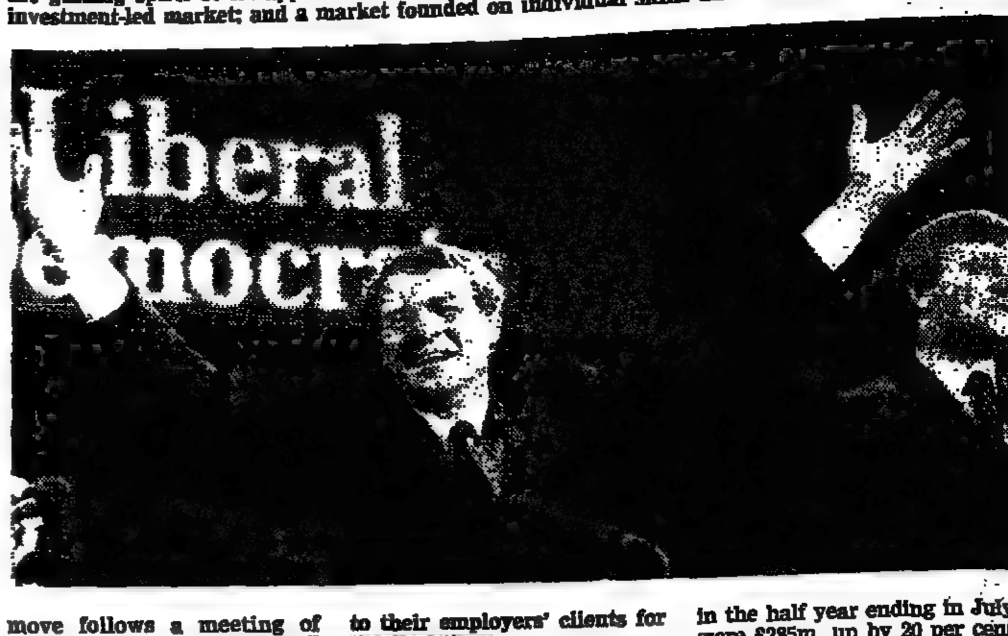
Halifax, the largest UK building society, enjoyed a sharp rise in both its share of the mortgage market and its pre-tax profits during the first half of the year, despite the depression in the housing market. Pre-tax profits for the society in the half year ending in July were £285m, up by 20 per cent on the first half of 1989.

### Channel 5 plans revealed

Government should increase the amount of money spent to fund research at polytechnics and colleges, says a report. It recommends an increase in research funds to £58m.

## Liberal Democrats embrace policy of market forces

MR Paddy Ashdown signalled a shift in the Liberal Democrats' strategy by embracing market forces and increased competition in privatised and state-run industries. In a rallying conference speech to Britain's third party he sought to ditch its "centre-left" image on the economy. He said the guiding spirit of its approach to the next general election would be: "A liberal market; an investment-led market; and a market founded on individual skills and enterprise."





AUTOMOTIVE INDUSTRY

## Japanese suppliers may replace sacked Rover parts makers

By John Griffiths

ROVER GROUP is to sack a number of UK component suppliers it says failed to meet delivery schedules earlier this year, costing Rover lost production of several hundred cars a week.

Some of the replacement suppliers would be required to build production facilities close to Rover's Longbridge plant near Birmingham to ensure their ability to meet the group's "just-in-time" supply requirements – to supply just enough for immediate needs, cutting out the need for stocks, the company said yesterday.

Rover is refusing to name the suppliers involved. However, Sir Graham Day, its chairman, said they would not work for the group again.

The British Aerospace subsidiary is also making clear that it will not hesitate to use Japanese component companies if UK or Continental component suppliers acceptable to Rover cannot be found.

Rover spends £2bn annually with suppliers. Some 90 per cent of this is spent in the UK and Rover has maintained a policy of "buying British" wherever possible.

Both Rover and its partner Honda, whose car manufacturing plant in Wiltshire is due on stream in two years, have previously said they see no reason for a large influx of Japanese component groups.

Honda, which is to produce an initial 100,000 cars a year, will be spending £650m-£700m annually on parts supplies for the Swindon operation.

Rover's decision provoked little surprise among other car makers last night. "This is relatively common practice," according to an executive with one of the UK's other leading car makers. "The only difference normally is that it's all done very quietly, since it's in neither the car maker's nor supplier's interest to talk about it publicly."

The areas in which suppliers are being sought are understood to include interior trim, glass and wiring, although Rover would provide no confirmation last night.

● The UK car industry's gathering exports drive was mainly responsible for a 10.4 per cent increase in UK car output last month, despite sharply falling sales in the UK itself.

Output of cars specifically for export was up by more than a fifth compared with August 1989, according to figures published yesterday by the Central Statistical Office in conjunction with the Society of Motor Manufacturers and Traders.

Some senior executives at the International Motor Show in Birmingham appeared slightly taken aback by the extent of the increase. The figures have been published against the background of a show which has echoed with concern about the impact of high interest rates on the UK economy.

## Britain to oppose EC plan for reduction of greenhouse gases

By John Hunt, Environment Correspondent

PROPOSALS for tougher targets for the reduction of greenhouse gases and harmonisation of measures for "green" taxes will be strongly opposed by Britain at a meeting of EC environment ministers in Rome this weekend.

Britain has proposed stablisation of carbon dioxide emissions from fossil fuels such as coal and oil - the main cause of global warming - by the year 2005.

The Italians, who have just assumed the presidency of the EC, are pressing for a declaration of intent to stabilise by the year 2000 and are supported by other member countries.

Yesterday Mr David Trippier, Environment Minister, described such a proposal as "ludicrous" and said he would be taking a tough line in opposing it. Mrs Thatcher has endorsed the British target and Mr Trippier said there is no intention of budging from it.

"We could agree tomorrow on a target for the year 2,000 if we were prepared to close down half our coal mines and have no economic growth," he said.

The British stance has angered environmental organisations. Climate Action Network, representing leading UK environmental groups, have written to Mr Chris Patten, Environment Secretary, urging him to stop "foot-dragging" if he really wants to bury the allegation that Britain is "the dirty man of Europe."

The controversy is particularly embarrassing for the Government. It comes just before the publication next week of its white paper on the environment which it claims will set the "green" agenda until the turn of the century.

Proposals from the EC Commission for the harmonisation of economic measures including a carbon tax on fossil fuels, to protect the environment will also be debated at the meeting.

Further improvement of energy efficiency and conservation should be the cornerstone of an energy policy to tackle the greenhouse problem.

"Therefore new taxation regimes for energy products or the introduction of a specific carbon dioxide tax, have to be developed which can guarantee suffient slow down of future energy demand," says the Commission document.

Harmonisation of these measures was essential in order to prevent distortions of trade with the completion of the single market in 1992.

But Mr Trippier said that he was surprised that the Italians had introduced the subject at such an early stage of their presidency. At the meeting he will maintain that the arguments for harmonisation are weak and that the examples put forward by the commission "do not stand up".

# A golden English summer fit for cricket's heyday

**John Pitt** takes a personal view of an extraordinary summer which has rewritten the record books

AUTUMN has fallen across England. There is a chilliness in the night air and mist in the morning. Summer has passed, but if ever one wanted a day on which to record its end it would quite possibly be today – especially if one was a lover of that most English of sports: cricket.

For lovers of the game the end of English county cricket season this afternoon will unquestionably be the last throw of summer, and despite six months of competitive play the laurels have still not been awarded. Middlesex and Essex are still battling for the county championship, though the odds are in favour of Middlesex.

To those who do not know the game it may seem a strange sport that takes so long to be decided. "Don't matches last up to five days?" the critic asks. "Don't they play all that time and yet still don't find a winner? Can there be a place in the modern world for such a sport?"

Yet cricket is a game that is played right across the world: at Bridgetown and Port-of-Spain in the West Indies to Dunedin and Auckland in New Zealand: from Hyderabad and Bombay in India to Perth and Melbourne in Australia.

Even in America the game is played, from Washington to California on cocoanut match pitches, although mostly by West Indians, English and Australians. In New York there is a park in the Bronx where teams gather on a field where George Washington massed his troops before his victory march.

Not that anyone would doubt the right of England to claim the game as its own. A visitor will probably be told to see the Houses of Parliament, Buckingham Palace, The Tower of London, perhaps the universities of Oxford and Cambridge. All are centres of British culture and history, and represent the spirit of the country.

But few who come in the summer months will be told to take the underground to St John's Wood, a tree-lined suburb a mile or so north of the centre of London, to see Lord's cricket ground, home of the Marylebone Cricket Club. As every religion has its place of worship so too has each sport – and Lords is as revered by cricket lovers as Rome to the faithful.

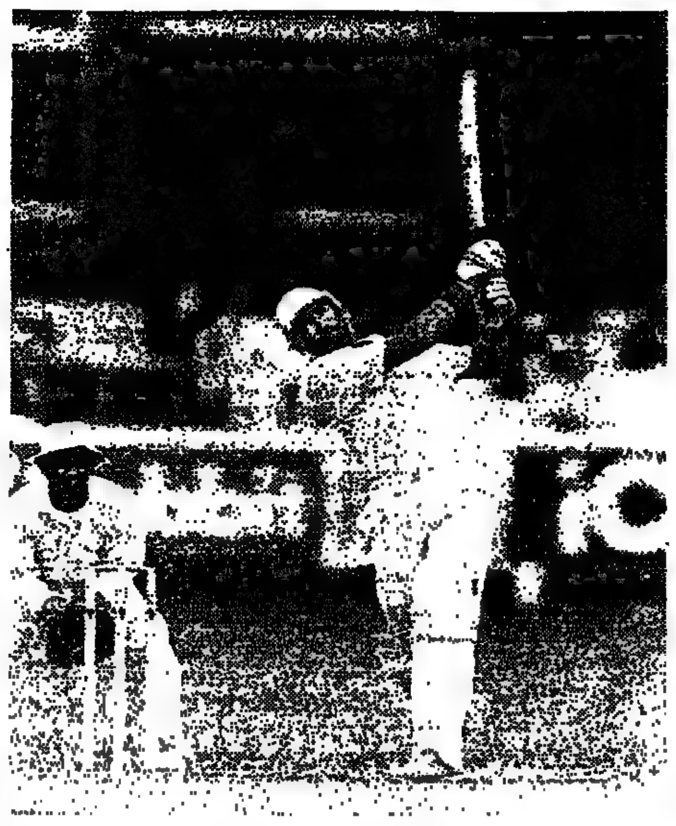
St Peter's has its relics, and so too has Lord's: the only sparrow known to have been killed by a cricket ball (bowled by a man from the University of Cambridge in 1936); and, of course, the Ashes, a small black urn inscribed: "In affectionate remembrance of English cricket which died ...1882. Deeply lamented by a large circle of sorrowing friends and acquaintances. The body will be cremated and the Ashes taken to Australia."

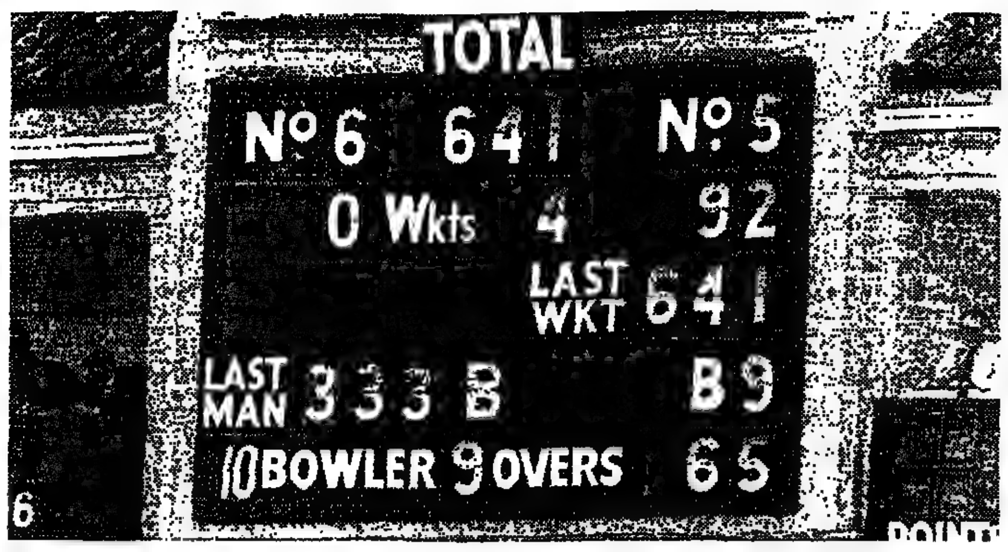
There is no need for the visitor to get squeamish. The Ashes are nothing more than a wooden cricket stump, burned on the occasion of England's first loss to Australia. Yet over this small object locked away in a glass cabinet the countries of England and Australia, together with hundreds of thousands of spectators raise a sporting passion every two years. Cricket is a game that, unlike many others, causes an emotion near to worship.

Cricket and especially cricket in England has a history that is full of legend and heroes, of matches won on the last ball of the very last day, of stories that would hardly be considered credible except that they are written in all the history books which fill the cricket lovers' winter.

But cricket is a game of the summer. As Neville Cardus, one of the greatest of writers on the game said sixty years ago: "Cricket...must always be less than itself if it is taken out of England and out of the weather of our English summer."

Few visitors to London in the summer months will be told to take the underground to St John's Wood where the tree-lined suburbs a mile or so north of the centre of the capital surround the traditional home of cricket






**England captain Graham Gooch, pictured left, dominated the first Test match against India played in July at Lord's. The famous scoreboard (above) records his historic innings of 333 before he was finally bowled. It was an innings built from 485 deliveries, and contained 43 fours and three sixes. He became the sixth highest scorer in Test matches. With a score of 123 in his second innings Gooch became the first player in history to score a triple hundred and a hundred in the same first class match. His aggregate of 456 was also the highest in Test cricket. Other records were smashed in the same game: Indian all-rounder Kapil Dev took four consecutive sixes off an over and equalled the Test record of 24 runs in an over; the match aggregate of 1,603 was a record for a Test held at Lord's; and England's first innings total of 653 for four declared was their highest total against an Indian touring side.**

If proof was needed, one would only have to recall the summer now ended. Few of us who love the game and were in London during the months of high summer, weeks when the sun shone continuously and temperatures soared into the high nineties and grass was burned brown, for us it was one summer we shall cherish for the rest of our lives.

The drama and the excitement captured the imagination of millions. How can one forget that Friday in July when during the First Test Match between England and India at Lord's, a match spread across five sweltering days, a great batsman secured his place in history with a score that, while not the highest ever made by a batsman in a single innings during the 250 years of the game, was as full of verve, drive, skill and concentration as any. And it all came about on the toss of a coin when the Indian captain Azharuddin (himself to score a dazzling century in the same game) decided to put the English into bat.

It was a decision that Graham Gooch, the England captain, did not question. Over two days, more than ten hours at the wicket, he himself amassed 333 runs. Even then the records still fell. In his second spell at the wicket Gooch went onto to score a further hundred runs, and by so doing recorded the highest aggregate score ever in Test matches (those played between recognised national teams).

On the Monday of the match the brilliant Indian batsman and bowler Kapil Dev lofted four consecutive balls over the boundary rope: four sixes in a row, equalling another record (and, incidentally, saving the dignity, if not the match, for India). Finally, and as if to underline his stamp on the match, Gooch took the last Indian wicket: by then the match was as good as over. Nevertheless it was a moment when, for those in the crowd, time stood still, as he took the ball and threw it at the stumps.

St Peter's has its relics in Rome but so does Lord's: among them the only sparrow known to have been killed by a cricket ball way back in the summer of 1936 by a bowler from the University of Cambridge

Many other cricketing records fell this summer in England, and another cricketing knight was created: Sir Richard Hadlee, the New Zealand bowler, who has taken more wickets than anyone, became the first to be honoured while still playing.

The history books will have to be re-written. But that will make the winter will seem shorter for the cricket lover at least. In any case there is much to look forward to as this winter the England side fly to the other side of the world and an Australian spring. The grass will be green there.

# British companies 'lagging behind' in the race for 1992

**Fiona Thompson** Labour Staff

UK companies are lagging behind their continental counterparts in preparing for 1992, a study has found.

Interviews with 425 companies from 10 EC countries, including 50 from the UK, found that nearly half the UK participants do not have business plans for 1992.

The vast majority of the respondents from the rest of Europe have developed and are executing strategic business plans geared to 1992.

UK companies' lack of interest in language training is a case in point: 54 per cent of UK companies said they regarded language training as 'not important'.

The survey, by KPMG Peat Marwick Management consultants, was conducted in February and March of this year. It was intended to compare how UK companies and their continental competitors were preparing for 1992.

The 50 UK respondents included 25 manufacturing companies, four from retail and distribution, two financial services companies and 19 from other services.

Seventeen of the companies were medium sized (up to 500 employees), and 32 large (over 500 employees).

Fourty-six per cent of UK companies had no specific plans for 1992, whereas the total European sample showed 20 per cent of companies lacking a plan.

Many UK companies reported difficulties in recruiting sufficient high calibre staff across a wide range of disciplines.

The larger UK companies see 1992 as a bigger pool to recruit from, smaller companies see it as a threat.

Many UK companies foresee increased competition for staff from continental companies having an impact on remuneration policies.

Several groups - including general management, information technology and sales and marketing staff - were identified as potentially vulnerable to competitive pay offers from continental companies.

On the question of training, the survey indicated that 1992 will have a major impact on the nature, structure and delivery of company training.

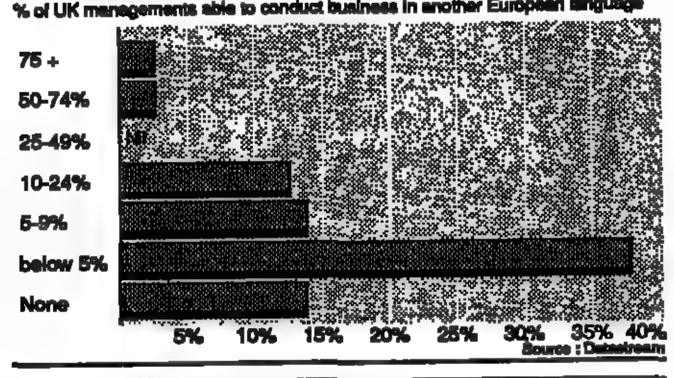
Despite the 54 per cent of UK companies which regard language training as "not important", one quarter of the respondents said they plan to give greater emphasis to language training in 1993.

That said, they will be starting from a very low base. More than half (52 per cent) of UK companies have less than five per cent of management able to conduct business proficiently in a language other than English.

**Trends and Developments in Human Resource Management - Europe 1992. National Report UK. Peat Marwick, 8 Salisbury Square, London EC4.*

**Managements language capabilities**

% of UK managements able to conduct business in another European language



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FINANCIAL TIMES SURVEY

# CITY OF LONDON PROPERTY

SECTION IV

Friday September 21 1990

Alan Harper

View over the City showing the NatWest Tower. The long predicted oversupply of office buildings has become a reality with available space at the end of June double last year's take up.

| MARKET STATISTICS | Last 12 months | 2nd quarter 1990 | 1990 to date | 1990 forecast | 1991 forecast |
|---|---|---|---|---|---|
| Take-up: let/purchased | 4.8msf | 0.8msf | 2.4msf | 4msf | 4msf |
| Newly marketed space | 8.6msf | 3.0msf | 5.2msf | 8/8.5msf | 6.5msf |
| Space on the market at period end | 12.6msf | 12.6msf | 12.6msf | 11.5/12msf | 11msf |
| (ready to occupy at period end) | (5.8msf) | (5.8msf) | (5.8msf) | (6.5msf) | (8msf) |
| Vacancy Rate at period end | 13% | 13% | 13% | 14% | 16% |
| Top Rental Value | £62.50 | £62.50 | £62.50 | £60 | £60 |
| All Buildings Index% change | -5.7% | -1.6% | -1.8% | -5% | -5% |

Source: Richard Ellis Research

**In spite of demand fuelled by overseas investors and the traditional draw of the Square Mile, acute excess supply in the City of London property market is giving headaches to developers and landlords, Property Correspondent Vanessa Houlder reports**

## Building on shaky ground

THE CITY of London has become a building site. Dominated by cranes and deafened by pile drivers, it is going through one of the most active periods of rebuilding ever undertaken.

But the foundations of the gleaming new office blocks are less secure than they should be. This year the long predicted oversupply of office space has become a reality. At the end of June, available space was double the previous year's take up.

Vacancy rates reached 9.4 per cent by the end of June and are heading for 15 per cent in the first half of 1991, according to Jones Lang Wootton.

The surplus of office buildings is having severe effects. Yields are widening, rents are falling and capital values are plummeting. The potential losses on some developments are awesome.

On the face of it, the landlord's loss is the tenant's gain: "In terms of quality, choice and price, tenants have never had it so good," says Mr David Comyn of Savills, the surveyors.

If tenants are prepared to put the quality of their accommodation before the necessity for a central location, their options are wide open. They can often move to far more spacious, well-designed offices for a lower rent, since much of the new building has occurred outside the City core.

The desire for modern, high tech space is evident: "Eighty per cent of London office space is out of date in that it was built before 1984 and does not match up with what tenants want," says Ms Sandra Jones, head of research at Baker Harris Saunders. The rise of the personal computer has meant that large floor voids are essential. High capacity electrical systems, air conditioning and large column-free floors are also favoured by clients.

Nonetheless, companies know that they do not have to rush into a deal. Whereas three years ago, they would have pre-let a development, now they are more likely to wait and see if rents soften further.

Already, rents are under pressure, although the severity of the downturn varies widely according to the locations and quality of the property. The decline in rents, which first hit older, non air-conditioned office blocks at the end of last year has now rippled out to the top end of the market.

However, not all tenants can take advantage of falling rents. Often, they are restricted by 25-year lease obligations, with upwards-only rent reviews. In boom times this is not a problem. New tenants can be found for the buildings or the landlords are willing to take it back for redevelopment. However, in the current market tenants moving to new offices risk leaving their second hand buildings empty for many months. As a result, developers of new properties are offering substantial rent-free periods or, occasionally, to take over the old lease of the tenant.

Opinion is divided on the extent to which this is a two-tier market. On one hand, the desire to move into prime, new space together with concessions such as rent-free periods is expected to encourage tenants to take the plunge into a new building, leaving the older, second hand space piling up behind them. On the other hand, the problems of getting rid of old leases may delay the recovery of the new office market until beyond 1992.

At first sight, none of these problems are new. They are a natural part of the property cycle. However, what gives extra interest to this particular slump is the relaxation of planning consents. When the City Corporation revised its planning guidelines in 1986, it was claimed that the new rules would allow an additional 20m square feet within the City. Most of this is being exploited, in the view of Sandra Jones of Baker Harris Saunders.

The likely effect of the relaxation of controls is disputed. In the view of Salomon Brothers, it is a watershed for the market. Core City inventory has remained virtually the same at 56m square feet for nearly two decades, giving property an inherent scarcity value. Now that has gone, City offices no longer deserve a pricing premium, they argue.

Tenants have been increasingly bold in moving away from the City's traditional boundaries, they believe. In the old days, moving away from central London may have meant going to a suburban market like Croydon. Now suitable offices have becoming available in the City fringe, in the Docklands and potentially in other areas like Paddington and Kings Cross.

But powerful forces still attract businesses to their traditional haunts. Even though the arrival of screen-based trading has abolished the need for brokers to be near the Stock Exchange, a lot of City business still relies on face-to-face contact.

The problems of surplus supply have inevitably been translated into decling capital values. Even ignoring falling rents, capital values in the City of London fell by 13.5 per cent in the year to August, 1990, according to Hillier Parker.

Turnover in the property market has slowed markedly. In the first quarter of 1990, it measured just £217m, compared with the quarterly average of £442m in 1989, according to Richard Ellis. Investment picked up in the second quarter to stand at £329m, but dropped back substantially over the summer, with confidence eroded further by the Gulf crisis.

The misery is unevenly distributed. The market is polarised with demand supporting yields at current levels for the few prime properties that have become available, while yields for other properties have risen markedly.

Demand for prime property persists, fuelled largely by overseas investors and in particular by Japanese life funds and construction companies – although it has fallen from its height 18 months ago. Sumitomo Life's recent acquisition of a 52.5 per cent interest in J P Morgan's new headquarters in Victoria Embankment for £220m is the latest telling example of the Japanese enthusiasm for high quality buildings in good locations.

Swedish companies and individuals have also built up large portfolios. The combination of the easing of restriction on overseas investment by the Swedish Central Bank and a fear of Fortress Europe has become a powerful incentive to overseas investment. They have preferred non-prime buildings with the potential for adding value by active management.

By contrast, the UK institutions have been conspicuous by their absence. With a few exceptions, such as Scottish Amicable's purchase of Kempson House for £23m and Norwich Union's acquisition of Creed Court, Ludgate Hill, for £18m, domestic purchasers have been sitting on the sidelines.

According to Investment Property Databank, there was overall net disinvestment of £65.4m in 1989, as UK institutions took advantage of foreign interest to sell into a strong market. This year there have been fewer opportunities for sales, but also little sign of a revival in interest.

For developers, financiers and investors alike it has been an uncomfortable year. The likelihood in many cases, is that matters will get worse before they get better.

Taking a long term view, however, the clouds that hang over the market may have a silver lining. The rebuilding that took place in the late 1980s has started to address the questions of high rents and poor quality office stock which are serious threats to the City, according to a recent Bank of England Quarterly Bulletin. However uncomfortable the results for the property industry, the rebuilding of the past few years may have helped secure London's future as an international financial centre.

### IN THIS SURVEY

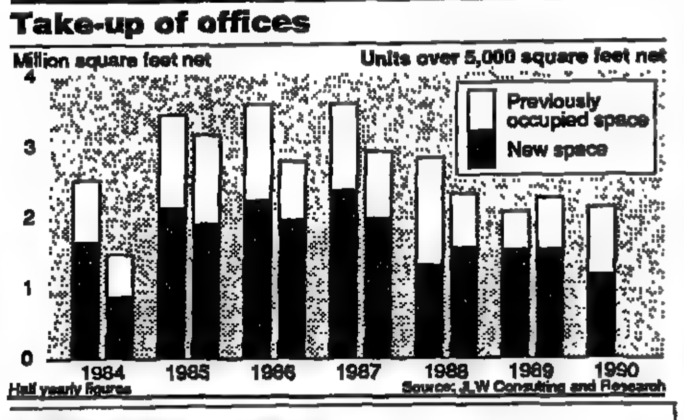
At the end of June 7.65m sq ft of speculative building was under construction of which some 5.74m sq ft is due for completion within the next 12 months

Trevor Humphries

Rising vacancy rates and falling rental values are creating a bleak outlook

# Surplus means a hard road ahead

**Take-up of offices**




Half yearly figures
Source: J.W Consulting and Research

DAY BY DAY, the predicament of City landlords and developers is becoming starker. The sheer quantity of rebuilding work is such that even a casual observer can deduce that supply greatly exceeds demand.

The figures are striking. At the end of June the vacancy rate was 9.4 per cent, and rising to 15 per cent by the first half of next year, according to Jones Lang Wootton. Debenham Tewson & Chinnocks calculates that availability is double the previous supply peak six years ago.

This surplus will increase before it lessens. At the end of June 7.65m sq ft of speculative building was under construction of which some 5.74m sq ft *is due for completion within* the next 12 months. The remainder is scheduled for

### The surplus will increase before it lessens

completion in the second half of 1991.

This evidence is having an effect on projects in the pipeline. Over the past few months more and more schemes have been put on ice. In the first half of 1990 construction starts numbered 1.55m sq ft, less than half the number of the preceding six months according to Jones Lang Wootton. Work on 78 per cent of developments due to start during the first half of 1990 has not begun, it believes.

The *planning statistics* for the second quarter of 1990 confirm this trend. Permission for new offices totalled 2.5m sq ft, less than half the average rate for the last three years.

Paradoxically though, the short-term impact of the slowdown in the development sector may exacerbate rather than alleviate the current supply surplus, according to Mr Peter Evans of Debenham Tewson. "On the supply side, postponed schemes are contributing to the increase in the flow of second-hand stock while demand is reduced because fewer tenants will be dispossessed," he reasons.

Meanwhile the demand side of the equation is holding up reasonably well. Take-up may be dwarfed by availability but it compares well with past figures. According to Jones Lang, take-up during the first six months of the year of 2m sq ft exceeds the long-term City average and a further 1m sq ft is under offer.

But even *if* there is no collapse of demand it is not clear that the surge in new demand over the past five years will continue. Mr Evans of Debenham Tewson believes that the outlook for demand is depressed by the projected fall in new employment growth. "In the early 1990s the emphasis is likely to be on the redistribution of occupiers rather than any sizeable net growth in demand."

Nonetheless, this redistribution of tenants is having a powerful effect on demand. The mergers of accountancy firms, for instance, is creating a need to replace the handful of poky offices spread around the City under one roof. Businesses appear to want a new type of office, with large, regular, column-free floors, high capacity electrical systems and large floor voids to accommo*date cables.* Solicitors and accountants are particularly prominent customers for new space. According to Jones Lang *they are actively seeking* 780,000 and 940,000 sq ft *of* space, respectively, comparable only to the demand of foreign *banks which is 750,000 sq ft.*

However several factors are frustrating this demand. One is economic uncertainty. Companies which are unsure about their future are putting relocation decisions on hold. "Take-up will decline margin*ally more for current economic* reasons than anything else," says Mr David Comyn, a director of Savills City Business Group.

Furthermore, in a tenant's market, companies are unwilling to be hurried into making *decisions. "Current demand is* characterised by extremely slow decision-making, a perception of greatly increased supply and a softening of the market generally," says Mr Colin Hargreaves of Healey and Baker.

*But the greatest hindrance* to taking up new space is the worry about disposing of old leases. "The real bug bear is the disposal of the existing liability," says Mr Comyn. Landlords no longer wish to take buildings back for redevelopment. And because of the way in which rents soared for all types of property when space was in short supply, second hand property now looks relatively expensive.

Maintaining an empty building is expensive. A vacant 80,000 sq ft City office with rents of £45 a square foot would cost about £12,000 a day in rent, rates and running costs.

As a result landlords are having to share the burden of second-hand space. Tenant inducements have become the norm over the past three months.

### Economic uncertainty is frustrating demand

"In the current market six months rent-free for new buildings has become standard and we will see this increase to around 12 months before the end of the year," predicts Mr Alistair Shaw of Chestertons.

The use of such inducements is blurring the picture of rental movements, which on the face of it, have registered modest falls. According to Richard Ellis, the surveyors, its City all-building index fell by 3.4 per cent in the final quarter of 1989 and it has since fallen a *further 1.6 per cent in the sec*ond quarter.

However, different levels of demand for different locations *and specifications makes it* hard to generalise about rents. Vacancy rates are, for example, much higher in eastern and *northern parts of the City than* in the core and south west.

Similarly, the value of new high-quality accommodation has been holding up fairly well. New space which has been built outside the City core is relatively inexpensive and so *may remain in reasonable* demand. Poorly located second hand space may by contrast find little support.

*The full extent of the fall in* rental values has yet to be seen. In the view of Mr John Atkins of UBS Phillips & Drew, *City rents will fall by 20 per* cent in this calendar year. Many people in the industry would disagree with the scale of that predicted move, but few would disagree with its direction.

**Vanessa Houlder**

Two important changes compound uncertainty

# These taxing times

THE TIMING was perhaps unfortunate. Just when the City office market was developing its present hangover from Big Bang excesses, there came two tax changes to compound uncertainty.

One, the Uniform Business Rate (UBR) which is part of the new rating regime, had been foreseen for some time, but the other, Value Added Tax on *property transactions*, was only properly flagged up by a decision in the European Court of Justice in June 1988.

Insofar as the measures increase some City occupiers' outgoings, they will in theory bring downward pressure on rental values while the game adjusts to the new rules. The UBR and the new rating assessments have resulted in particularly large increases in rates payable in the City compared to the rest of the country, while many financial sector occupiers are unable to recover VAT.

But with both taxes wreathed in grey areas and with the sagging office market further clouding the issue, no one is yet attempting to quantify the effect of that pressure.

The UBR, payable since April this year, is calculated on rateable values assessed as at April 1988, a date which was *also unfortunate* in that it saw City property values at a peak.

The application of a national standard rate which superceded the previous discretionary local rate then produced increases of 30 or 40 per cent or more for some City occupiers.

While new occupiers will be liable for the full rate immediately, the UBR effect is fudged by phasing provisions which limit increases for existing occupiers to 20 per cent plus inflation thus cushioning some of them for two or three years.

The VAT grey area is more extensive and long lasting because the whole question of VAT recovery itself is by no means black and white. Some tenants can recover and some cannot, while others can do something in between. In the short term, VAT on rents is also in some cases avoidable because in this transitional period it depends on the lessor exercising an "option to tax".

The exercising of that option will depend mainly on the les*sor's own VAT input.* VAT was not fully levied on building costs until April 1 1989 and has not been levied at all on build*ing works for which contracts* were signed before June 21 1988.

There are thus still some recently completed buildings and many others which have been let for some time on full repairing and insuring leases where the lessor's VAT input has been minimal and where there is therefore still no pressing reason to levy tax.

The option, however, once exercised on any particular property is irrevocable and since August 1 1989, sales of commercial buildings have also incurred VAT, effectively obliging new owners to recover by *opting* to tax rents. City buildings, in a buoyant market anyway, are relatively saleable commodities, and tend to change *hands fairly regularly*; VAT will thus creep forward on a ratchet.

For now, there is a mixture of "VAT buildings" and "non-VAT buildings" and in a City office market with many non-*recovering* occupiers, the difference between the two remains significant because even those who can recover will probably *want to* assign their leases at some stage and their assignees may not be able to do so.

By the same token, *landlords* of non-VAT buildings are naturally less than keen to give binding undertakings not to *opt to tax because of the effect* on the value of their own interests. As one acquisition agent put it, "While developers might show good *intentions*, their parrot phase now is 'Oh, we won't charge you VAT. We intend to keep the building for a long time.' But *most of them* won't put that in the lease and then the first thing they do once you've taken the space is *sell the building*."

Nevertheless, in this hard current letting market, one or two have been prepared to *indemnify tenants for non-re*coverable VAT and others have let on the basis that if tax is charged at some time in the *future*, the rent for non-recoverers will be reduced by say eight per cent, thus effectively splitting the difference.

But as more buildings are put into VAT, the various degrees of tax recovery among tenants will remain and precise evaluation of the VAT effect — or the UBR effect for that matter — will be difficult. As Mr Duncan Mason, associate *director jointly* in charge of Edward Erdman's City office agency department, puts it: "It is too early to make an assessment. A year from now, things might be clearer but the facts are that everybody pays the *UBR and*, for most tenants, a VAT-free rent is a short term advantage which can disappear at any time."

*Amounts* involved in both UBR and VAT still have to be seen in the context of the tenant's overall costs. It is generally accepted that in the City accommodation accounts for less than 10 per cent of a tenant's outgoings.

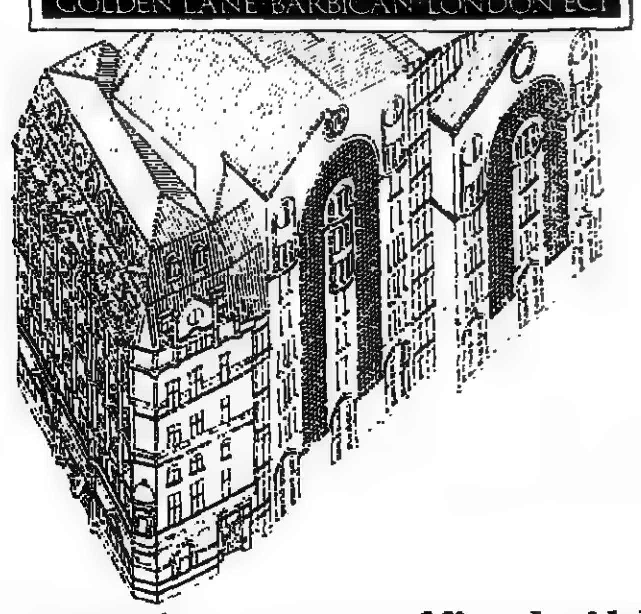
The additional rates under the UBR and the levying of VAT on rents are thus not likely suddenly to add more than one per cent each to an occupier's outgoings, assuming even then that the occupier is unable to recover VAT and is a new occupant without the benefit of rate increase phasing.

According to Geoffrey Pentecost, a partner in Jones Lang Wootton's City office agency department: "That is unlikely to have much of a deterrent *effect* for occupiers deciding whether they will or will not occupy space in the City."

Which is probably the bottom line. In these days of better electronic communication and failing transport infrastructure, there are a number *of reasons* why companies may leave the City and perhaps take a provincial option. But although the timing could have indeed been better, the combined — and to a great extent transitory — effects of the UBR and VAT are not particularly prominent among them.

**John Worrall**





## PROFILE: LAND SECURITIES

# Positive view of prospects

SECTOR LEADER Land Securities has 25 per cent of its £5.6bn portfolio located in the City of London. However, in contrast to some of the gloomier – and more reticent – developers and investors, chairman Mr Peter Hunt is "perfectly happy" with that situation.

He has good reason for that positive stance. The majority of Land Securities' recently developed City space is let or spoken for, and much of the future development programme has been phased strategically to come on stream from 1992 onwards.

Of recent completions, the 31,000 sq ft Ling House in Dominion Street EC2, finished in September last year was let to Simmons and Simmons; 8 Salisbury Square EC4 (115,000 sq ft) was completed late last year and let to Peat Marwick; and the 77,000 Leith House in Gresham Street, due for completion next year is pre-let to the Association of British Insurers.

Milton Court (160,000 sq ft), adjoining London & Metropolitan's Ropemaker Place in Chiswell Street, is widely reported as under offer to Price Waterhouse. In fact the only building that is coming up for completion in the current Land Securities City programme where there is no news of a letting is the 68,000 sq ft Moorgate Hall in Moorgate.

Mr Hunt is unworried. It is, he says, a top quality building. Growing rumours that Marks & Spencer is looking to take the 18,000 sq ft of ground floor retail space for one of its high-successful food-only stores can only add to its attractions.

Land Securities applies the same philosophy to the City as it does across the entire portfolio. Location, Mr Hunt believes, is still the most important factor in property allied to high quality, up-to-date and flexible buildings. Add to that top class covenants. "The best locations

Peter Hunt: confident

and the best covenants provide protection in the current climate," he says.

He does not, however, consider that problems in the City are as bad as some would have us believe. In the early 1980s most City office space was not suitable for modern tenants because it could not accommodate new technology – and unit and floor sizes were too small. Between 1980 and 1987, says Mr Hunt citing both Jones Lang Wootton and Richard Ellis, some 16m sq ft in the City was "processed" – either redeveloped or refurbished.

That figure, according to Mr Hunt, represents only about 25 per cent of City office space. And, he adds, there is a lot more to go. Of the generally accepted estimate of 4m sq ft of secondary space now on the market Mr Hunt says that 50% of it is "horrible stuff" – it will never be let and should be "demolished and processed".

Of rental levels Mr Hunt says that over the past five years a "healthy pattern" has emerged. He remembers £18 a sq ft and dismisses talk of £70 a sq ft as "wild aspirations". One or two small suites might have gone for that, he says, but those top levels were never actually established. "True, a little bit of cream has come off the top – but if it has dropped a fiver, so what?"

As for the widely-predicted oversupply, Mr Hunt tends to agree with Weatherall Green & Smith and Jones Lang Wootton, both of whom have issued reports recently showing much new development is being put on ice and that by 1992 the City office market could be in balance.

Mr Hunt considers that the medium and longer term future for the City – as the financial capital of Europe – looks bright. The working population is set to increase and transport problems will be eased, he believes, by the upgrading of Network SouthEast, the new cross-London rail route from Paddington to Liverpool Street and the Channel Tunnel terminal.

All this will improve the City's accessibility and this is a key factor in deciding on location – particularly when demographic trends mean that location will be increasingly dictated by workers.

He also points out that while top City rents are now in the £60s, space can be had in fairly close "fringe" areas such as City Road, at rents in the £30s. This compares with rents in areas such as Hammersmith, Uxbridge or Watford. At these rents "why move out"?

The next phase of Land Securities' City development programme is under way with 46,000 sq ft of offices at Veritas House, Finsbury Pavement, scheduled for completion in autumn next year and at 55-59 Gracechurch Street a new 73,000 sq ft building should be finished by the end of 1992. Also scheduled for the end of 1992 is a new 28,000 sq ft building at 12–16 Cough Square – the former home of LBC radio station. Further ahead is a refurbishment of London House, London Street and a major new office development of 120,000 sq ft at Regis House, King William Street.

These three properties are held freehold – the company's philosophy is to acquire freeholds and long leases wherever possible. Since March this year three City buildings have been sold. Chesterfield House in Fenchurch Street and Roman House in London Wall were both held on highly-geared leases. Kempson House in Camomile Street was sold to adjoining owner Scottish Amicable.

Land Securities would seem to have its timing right. Its current programme will be completed by end 1992 – "election time". And future commitments are minimal, although there is plenty on which the button could be pressed at any time, depending on market conditions. There are also further possibilities within the existing portfolio which is constantly monitored for all opportunities to create added value.

Ann Steadman

## New occupier priorities mean changes in the pattern of demand

# The future lies beyond the confines of the Square Mile

NO CITY developer will want to face the fact, and few UK commercial agents openly concede it, but the City, in the traditional sense of the medieval Square Mile, has lost its status as London's central business district. On an international scale, the City alone would trail in as an also-ran against its continental European rivals. It is too small, too poorly serviced by transport, and too expensive to be any objective future rival to Paris, Frankfurt, or even Brussels or Milan.

Luckily for the City, it no longer has to enter the competition for major occupiers on its own. Forget the traditional square mile as Britain's entry into the euro-commercial space race, think instead of a "polycentric" London. While British surveying groups continue to talk of Central London in terms of the City, the West End and the linking strip through Holborn now commonly accorded a transatlantic-sounding "Mid-Town" tag, actual and prospective occupiers do not appear to be listening.

It is true that various, limited-sample agency surveys in recent months appear to have reinforced the theory that international financial groups really would like to be within walking distance of Lombard Street, and that the "right" postcode still affords a building a substantial premium value. But from Docklands to Southwark, from Victoria to Hammersmith, Paddington to Vauxhall office occupiers have been voting with their feet, or more commonly with the underground rail cards, for buildings that lie well beyond the fringe of the centralists' view of the capital's commercial heart.

Commercial agency teams who start the day with a brief chant of the 1960's to 1980's confidence-building mantra: "location, location, location", have to consider the growing mass of evidence which suggests that "cost, convenience and accessibility" now more commonly reflect their occupier clients' needs.

The implications of this change for values in the old commercial heartland are depressing for existing landlords and unnerving for "prime" area developers with speculative space under way.

But there is a positive side to the progressive dilution of the City's monopoly on tenants' loyalty. In its refreshingly realistic overview of the London office market, "Breaking the Code", Salomon Brothers' real estate research team concludes that: "This new London has become competitive with the continent by providing modern office accommodation at lower costs.

"We believe," they write, "that London's increasing ability to provide such alternatives will reinforce its dominance as a global financial city."

That London offices might be able to compete in quality and cost terms with the rest of the world is almost as radical a view as discounting the City and the West End as the only serious focal points of commercial attention. Yet these are two facets of the same argument.

It would be hard to see that in any of the international prime accommodation comparisons in general circulation. These invariably place London well ahead of Paris – and overshadowed only by Tokyo – in terms of occupancy costs.

However, by embracing what the locals still tend to think of as the fringes of the city as part of the "prime" options, the New Yorkers' overview provided by Salomon – and given street credibility by input from Chris Walls in its now far from fringe London Victoria offices – presents a very different, and far less daunting cost comparison.

### Cost and convenience now top clients' lists

While incoming or expanding space takers cannot base their costs on an average of a city's prime rental costs, at least they now do have the option of paying less than in Paris or New York for similar quality buildings. And that option has helped to create its own "averaging" effect on rents.

Salomon's comparative figures are based on top City rents of £60 a sq ft and top West End rents of £65. Since they forecast a vacancy rate of over 21 per cent in the City by the end of 1991, it is hardly surprising that the analysts sidestep the forecasts of £70-plus a sq foot for prime City rents – forecasts that were still being built into some of the more ambitious of the development calculations, and into a substantially larger number of funding prospectuses, less than a year ago.

**Total Occupancy Cost**

| | £ per sq ft |
|---|---|
| **Tokyo** | 110.25 |
| **London** | |
| City | 69.75 |
| West End | 69.50 |
| City Fringe | 46.00 |
| Docklands | 35.00 |
| **Paris** | |
| City | 52.25 |
| La Defense | 36.25 |
| **New York** | |
| Midtown | 45.00 |
| Downtown | 35.00 |
| **Frankfurt** | 37.00 |

Source: Salomon Brothers & Richard Ellis

The financing equation for a number of the buildings being completed over the next year to 18 months may depend upon such forecast rents. The odds, however, are now heavily stacked against lettings at anything which approaches that level.

Salomon takes the view that City rents peaked around the time of the rush of major prelettings two to three years ago, when occupiers were willing to bid their way to the head of the queue for a completed City building. Now, they "do not expect prices for the City market as a whole to return to peak 1988 levels until later in the decade".

Debenham Tewson & Chinnocks takes a similar line. It estimates that achieved rents for new City space have fallen by around 11.5 per cent since last year. That is enough to have clipped several additional pounds per square foot off the City's cost rating for anyone preparing a global shopping list for space. And with the development cycle a wheel and several spokes ahead of lagging demand, the agents cannot see any reason why achieved rents should not continue to decline in the short-term.

All of which has its cheerful side in that the international price advantage of London offices, and the decreasing comparative price disadvantage of traditional prime City offices against their continental rivals, is becoming more marked just as international corporations are finalising their plans about where to locate their European headquarters.

Internationally mobile businesses are not so fickle as to move their administrative teams for the sake of a few pounds either way on the rent bill. But the single-market choice for most such companies is not whether to move to London, to Paris, or Frankfurt, or to take a long-view on Europe's commercial future and start checking out the space in Berlin.

The decision is more a matter of deciding which of their existing capital city offices shall be accorded EC-wide status, and which, by default, will progressively be downgraded to deal only with regional and local market activities.

In effect, and only with the most extreme reluctance, the UK property industry finds itself providing a few extra plus points in Central London's favour just as the global strategists at corporate HQs around the world are reaching for their maps of Europe.

London has the benefit of operating in a world language, with an unrivalled mass of financial and professional services, an effective telecommunications network, and it is internationally acceptable in social, cultural and entertainment terms. Now it can also offer an increasing choice of international-standard buildings at a competitive price.

That is a far cry from the take-it-or-leave basis that applied when all serious new development was compressed within the confines of the old dual-centre London, and when the City could fairly regard itself as the senior business partner to the rather more raffish West End.

### London's choice of properties is growing wider

That at least provides some counter-balance to the fact that, although London now has a suitable set of aerial gateways, once those internationally-mobile corporate executives get on the ground they find themselves immobilised by London's free market chaos of a traffic system.

As the City progressively is seen to be just one of a growing number of interlinked business areas in Central London, future space demand – from domestic occupiers as well as incomers – looks increasingly likely to be drawn towards the main transport hubs. It is no longer a matter of paying for a postcode. Tomorrows' prime locations have to be the ones you can get out of.

John Brennan

UK property market sees local investors sit on the sidelines

# Foreign buyers dominate

THE MARKET for UK property is in a fragile state. Investment this year has been decidedly patchy, as domestic institutions have sat on the sidelines, leaving the action to overseas companies and funds.

The first quarter opened with an exceptionally low level of purchases of just £217m. Business picked up in the second half but the total of £329m that was committed remained well below the 1989 quarterly average of £442m, according to Richard Ellis. The summer was decidedly quiet, with the Gulf crisis further undermining investment confidence.

The paucity of action has given the investment market the air of a phoney war. The expectations of buyers and sellers do not match, meaning that relatively little quality property has come on to the market.

The market for different types of property has varied widely. Yields for a few prime properties have held up well while yields for lower grade properties have risen markedly.

However, the lack of investment activity has made it difficult to measure accurately the drop in capital values. Valuers have struggled to assess portfolios with little evidence. This – as well as the intrinsic different in the make-up of portfolios – helps explain the contrast between the 17 per cent fall in the underlying value of Great Portland Estate's City of London office properties, announced in June and the drop of just under 2¾ per cent in the value of Land Securities' City office portfolio, announced just a fortnight earlier.

Once again, the overseas sector is making the running in the investment market, having contributed about two thirds of the total value of transactions in the first half of this year.

Japanese life funds and construction companies and entrepreneurial property companies have continued to make investments, although their activity has been rivalled by investors from Continental Europe. There has also been a significant inflow of funds from Sweden, stimulated by the abolition of exchange controls.

Surveyors report that the yields of about 5 per cent persist for prime buildings as Japanese investors seek high quality offices in good locations.

Unlike Japanese investors, who tend to favour landmark buildings, the European and Scandinavian investors have concentrated on smaller, non-prime buildings where there is scope to add value by active management.

Sampo Insurance of Finland recently bought British Land's Seething Lane EC3 scheme for £23m. ABP, a Dutch pension fund recently joined forces with Ameritech of the US to buy 1 Aldgate, a building developed by Speyhawk for £45m.

The events in the Gulf, however, have raised some doubts about the continued enthusiasm of overseas investors. The squeeze on credit which it may generate, particularly in Japan, would force the banks and the financial institutions to curb their expansion plans and raise the cost of loans both domestically and overseas.

However, the involvement of the life companies is likely to continue. In the view of Mr Alan Froggatt, a partner at Richard Ellis, they will continue to put money into the UK market for the next three or four years.

Much speculation has also been centred on the plans of the US pension funds. Increasing numbers of US pension funds and real estate advisers have set up shop in the UK in the hope of attracting funds wishing to escape the beleagered US property market. However, the disappointing performance of J M B Realty, the Chicago-based private investment company which put funds into the top end of the UK market a year ago, may act as a deterrent.

Meanwhile, the UK institutions are still mounting something of a buyers' strike. Overall net disinvestment in last year in Central London totalled £65.4m, according to the Investment Property Databank.

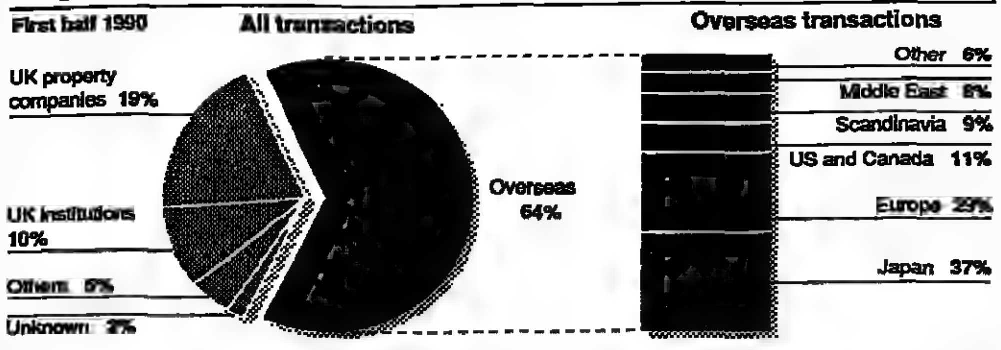
They have failed to reemerge with a few rare exceptions: such as Scottish Amicable's purchase of Kempson House, Camomile Street, EC3 or Norwich Union's purchase of Creed Court, Ludgate Hill for £18m.

Despite yields being at their highest levels since the mid 1970s and likely, on most reckonings, to go even higher, institutions seem reluctant to get back into the market. News of falling asset values is seen as further evidence of prices getting cheaper.

It may be that continued difficulties of property companies, perhaps emphasised by the approaching September interest quarter pay day, will force properties on to the market at lower prices. If so, bargain hunters and long term investors may make a showing. Meanwhile, the hopes of surveyors, developers and investors are still pinned on the continued interest of overseas investors in the London market. That London is the main European financial centre is likely to remain an attraction. So too, is the UK lease structure. And although the perception that the UK is politically stable with strong economic growth is one that has taken a knock over the past year, many investors are prepared to take a long term view.

**Vanessa Houlder**

City of London capital transactions: purchaser type




Source: Richard Ellis Research

THE NUMBER of tower cranes looming over a business centre has long been a favourite test of economic buoyancy. A glance across central London shows the flaws in such a snap judgement. The City is pockmarked with buildings started before the downturn. Developers have little choice but to finish their task, each hoping to outshine rivals in attracting a diminishing number of potential tenants.

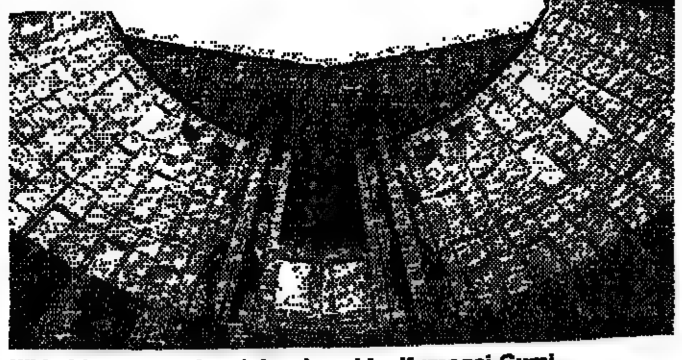
High-flying toilets and disappearing light switches feature strongly in their armoury of incentives, a slightly bizarre indication of how building technology is evolving to match soaring costs and increasingly stringent occupiers. Dangling from many a crane are prefabricated "bathroom" pods, built off-site to save labour charges and slotted into the framework like Leggo.

Meanwhile, electricians below are linking computers to heat or movement sensors so these parsimonious robots can one day switch off lights when staff leave rooms.

This twin attack on building and occupation costs was born during the 1980s surge in demand for new office buildings, but has been given an extra edge by the rising tide of excess space. Fast-track construction once enabled developers to match the impatience of tenants eager to expand. Today it reduces the time before they can pull in much-needed rents.

Occupiers learned to insist on higher standards to justify boom prices. They demanded more sophisticated building services to cope with new technology, friendlier designs to attract skilled staff, healthier surroundings to keep them happy. Most importantly, companies came to expect an efficiency rarely seen in the speculative tower blocks they had been force-fed for decades.

Rents may have fallen but expectations have not. If anything, tenants are becoming even more choosy. They want buildings that fit their needs much more closely, yet at the same time are flexible enough to adjust to unknown future changes.



Whitefriars, owned and developed by Kumagai Gumi

David Lawson on technology

# Tenants now demand more

"Offices are so heavily dependent on information and communication networks that they require a totally new form of building specification," Despina Katsikakis of designers DEGW told a recent conference on high-tech buildings.* This is the most popular definition for that Holy Grail of the property industry, the "intelligent" building.

Yet she points out that a more crucial aspect of building intelligence is that it matches the occupier's particular needs – its working patterns and staff relationships, as well as the technology employed.

This leaves many developers floundering. They must produce more complex buildings for a potentially lower return, at least in the short term. The task is made even harder because pre-lets have almost disappeared as potential occupiers hold out for the best deals, which means there is no tenant to plan around.

Buildings are reverting to the bad old days, when they were taken through to completion rather than left as a bare shell for tenants to fit out, according to Mr Derek Hammond of Project Management International. Developers have moved some way towards more efficient construction, which should give them some financial leeway to widen the scope of their buildings.

Mr John Dudley of Arnold Project Services, part of the Japanese construction giant Kumagai Gumi which has 1m sq ft of space under way in the City, points out how prefabrication and "just-in-time" delivery techniques cut expensive construction schedules.

A hole was left through the middle of KG's Bishopsgate development to crane in toilet pods, for instance, while pairs of cladding panels were delivered and installed within 18 minutes at the Whitefriars scheme off Fleet Street.

"Britain is developing great expertise in this technique but it is difficult to get right," Mr Dudley says.

But developers can never match an occupier's needs perfectly unless the building is designed from the start for a specific company. Anticipating some tenants' needs would be prohibitively expensive. The International Stock Exchange, for instance, demanded one of the most complex data centres in the UK for its 150,000 sq ft headquarters on the northern fringes of the City. Any interruption of the computers would be disastrous, so the building is heavily protected with automatic standby systems in case of power breaks.

Llewelyn-Davies Weeks, the designers, provided an extra level of safety through a 25 per cent surplus capacity in the air-conditioning chillers and diesel generators which would kick in during an emergency to keep the screens alive. There are even spare banks of batteries to bridge the time lapse before stand-by systems come up to power.

This will all be familiar to most City financial houses, which live or die by the health of their computers. But it is well beyond the scope of a developer with no tenant in the bag. Mr Derek Hammond points to one tenant in Broadgate which spent £1m a week for 65 weeks tailoring its premises.

This is not to say developers have made no progress. But some have not gone far enough in matching buildings to the needs of users, according to Mr Jeff Morris of Coopers Deloitte. He told the high-tech buildings conference that the downturn in demand would find out those who had been able to get away with a lack of market research before the downturn in the market.

At a time when the quantity of office space threatening to engulf the City, quality will be as important a factor as quantity.

*High-Tech Buildings 90. Proceedings of conference by Intelligent Building Group and Blenheim Online (081 868 4466).

PLANNING

# Rising to the challenge

SIR CHRISTOPHER Wren, Reichsmarschall Hermann Goering and Peter Rees have one thing in common: In their different way each has helped to re-shape the City of London.

Wren carved a townscape of space and stone through the timbered ashes of the medieval City. Goering came closer than he ever realised to breaking the Imperial City that had crammed its way into Wren's ageing new town. Mr Rees, as the Chief Planner of the Corporation of the City of London, has overseen a period of change as extensive as the immediate post-war reconstruction, and quite as fundamental as any of the City's historic responses to change.

The new-look City that is emerging from behind scaffolding and beneath the contractors' cranes is the direct result of a choice made in the mid-1980s. That was to abandon, not merely the restrictive Draft City Plan published in November 1984, but with it a rigidity of control that made obsolescence endemic in the name of conservation.

As long as conserving the Square Mile topped the planners' priorities, planning permission alone added value, however little the resultant building added to the quality of the City's office stock.

Financial deregulation of the London markets, with the resulting conglomeration of global financial services groups and of the professional firms in their wake, created an immediate and unsatisfied demand for modern, international standard, large-area buildings. That in turn forced the City Corporation to recognise how uncompetitive its long static and ageing supply of offices had become.

The extent to which it has risen to the challenge has been evident in the enwrapping of so much of the central area by builders' awnings, and the transformation of the City borders into construction sites.

In the past four years a net 16 million sq feet of new offices have been added to the City stock. That's roughly a 30 per cent increase in the mid-1980's total commercial floor area even before adding on half as much new space again for buildings now under construction.

The market downturn will slow progress on the 11 million sq feet of additional space that has existing planning permission and on schemes equivalent to a further near eight million sq ft that are subject to planning applications.

But whatever view you take of the likely completion rate of space in the development pipeline, as far as the City's approach to planning is concerned the volume of new building makes certain that the late 1980s and early 1990s will be accorded special status in history of City development.

The formerly defensive City threw open its gates to change. The Corporation permitted Mr Rees and his planning team the opportunity to channel rather than ration developers' enthusiasm to build. Mr Rees is not displeased with the results.

An "un-planning" enthusiast, Mr Rees has always argued that the planners' role should be to look beyond formula views of what "ought" to be allowed. Instead, he has tried to manage a Corporation policy that, as he says, has aimed to "open the thing out, to allow a flexibility that had been lacking".

At the same time he has encouraged developers to raise their sights above the average. "There are some fine buildings, but in any age those are only a small proportion of the total. There always are plenty of compromises. On balance, I believe that we have seen the level of mediocrity rise."

That well might sound like a caustic end of term report on a period of investment in new City buildings that represents the cost of a couple of Channel Tunnel projects compressed into half the construction time. But given the constant pressure in all development work towards the lowest common denominator of completed building, it understates the success of the planners' counter-pressure for quality. "It is no mean thing if the standard of ordinary buildings is improved," says Mr Rees.

What now most concerns City planners, as well as their counterparts in all the 32 London boroughs, is the imbalance between development and infrastructure renewal across the capital. The top problem there is transport. "Transport has to be the number one priority," says Mr Rees.

The public utilities have been renewed their services; British Telecom and Mercury have been re-cabling, British Gas has replaced around half the supply in the City, the water board has been modernising the sewers and mains.

Against that the overall investment in transport has been minuscule. "The one thing that could scupper London as an international centre is its transport problems."

The polycentric London of the 1990's, with half a dozen business districts is a fact that concerns Mr Rees.

"The concern is that multiple-centres compound the transport problems by having so many people travelling up, down and across town between home and work rather than the traditional hub-and-spoke flow of travellers to and from a single centre."

Mr Rees concurs with the view that the current and prospective over-supply of offices does not necessarily presage a London centre-versus-centre battle for tenants.

Instead, this fast rising "letting opportunity ratio" is more likely to draw occupiers from the 1960s and 1970s office centres of London's satellite towns and from centres along and beyond the M25 ring road. Achievable rents in these outer ring centres are insufficient to justify replacing properties that now are, by renewed Central London standards, obsolete. The City's more creative "unplanned" planning approach has saved it from that fate.

**John Brennan**







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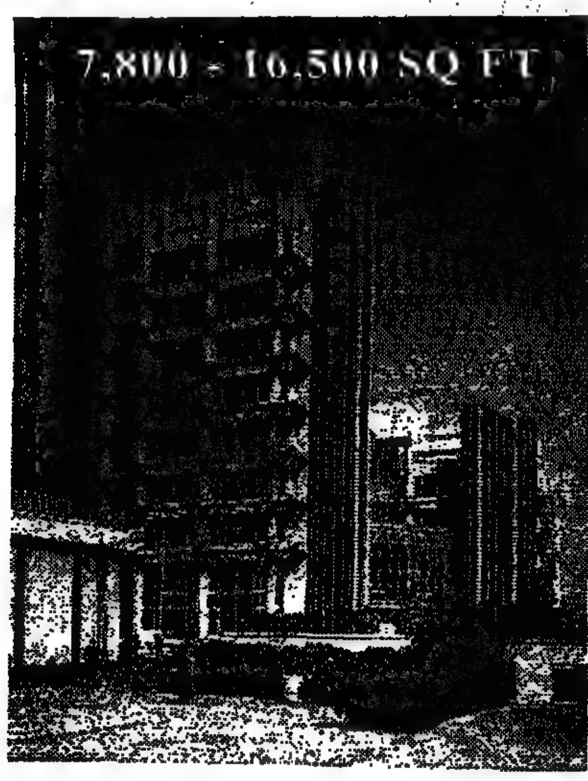
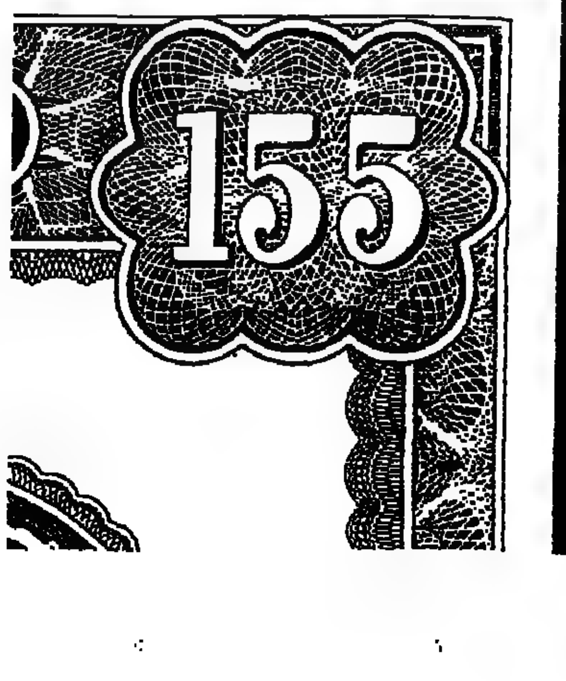






TECHNOLOGY

Lynton McLain describes how mechatronics can lead to the efficient design of intelligent systems

# Computer's brain takes the strain

Forget mechanics, forget electronics, forget information technology and think mechatronics.

The word describes a fresh approach to design. It is especially useful for the design of intelligent systems that make decisions for *themselves*, where electronics, computers and mechanical engineering have to be integrated for efficient design. Mechatronics embraces these disciplines so they are not separated by traditional boundaries in product development.

A European Community working party defined mechatronics as "the synergetic combination of precision mechanical engineering, electronic control and systems thinking in the design process."

The intelligent sawmill is a typical application of mechatronics. Mike Cowdery, engineering manager at Stenner of Tiverton, the designers and manufacturers of the system, claims that "mechatronics is the key to intelligent machinery."

Timber processors Clarke Taylor installed a Stenner computer-controlled log handling system at its Lockerbie works in Scotland in May. For the first time the entire mill can be worked without an experienced operator.

Productivity has improved, with one operator in a cabin replacing up to three that formerly operated the log mill. The logs are processed by the computer at a rate of 350 tonnes a week, three times as fast as under the old manual process. And, according to Christopher Nelson, mill manager: "The mill is much safer with nobody working in the yard."

The process is controlled by a computer measuring just one foot by four inches square, and by sensors dotted around the yard to ensure that only one log is processed at a time, debarked and cut automatically to the correct length.

Stenner also supplied an automated log yard and sawmill to a timber processor in the North of England. The system can convert automatically 1,000 tonnes of logs a week into a range of sawn softwood components for making industrial pallets.

The company combined computer controlled sequencing operations with electronic measurement of logs. According to Cowdery: "Training to inculcate the necessary multi-disciplinary approach included welding skills for electricians and programmable logic controller programming for mechanical fitters."

Even the design process was automated, with programs written to lead the designer through a series of questions. Overall parameters for the intelligent sawmill were drawn up by the designer. A computer-aided design system generated the appropriate drawing. Detailed manufacturing drawings were generated, followed by the entry of material requirements into the production control computer.

Mechatronics originated in Japan, where it is used to design advanced electro-mechanical equipment. One of the best examples is the ultrasonic electric motor used for some auto-focus cameras.

David Bradley, joint deputy director of the new UK engineering design centre for mechatronic systems at Lancaster University, says the design of the ultrasonic motor made by Canon of Japan to surround and move a lens would have been impossible without mechatronics.

The ultrasonic motor comprises a ring of ceramic elements around the lens. The elements are vibrated electrically causing the ring to oscillate, rotate and focus the lens automatically in response to sensor information. Canon says: "The motor is moved by the energy of this vibration, like a float riding a wave."

A combination of mechatronic disciplines, leading to original ideas efficiently executed in a fully integrated design, enabled the ultrasonic motor lens to be developed with almost no more weight or bulk than an ordinary lens. Because it accelerates instantaneously, it achieves an automatic focus faster than a conventional auto-lens.

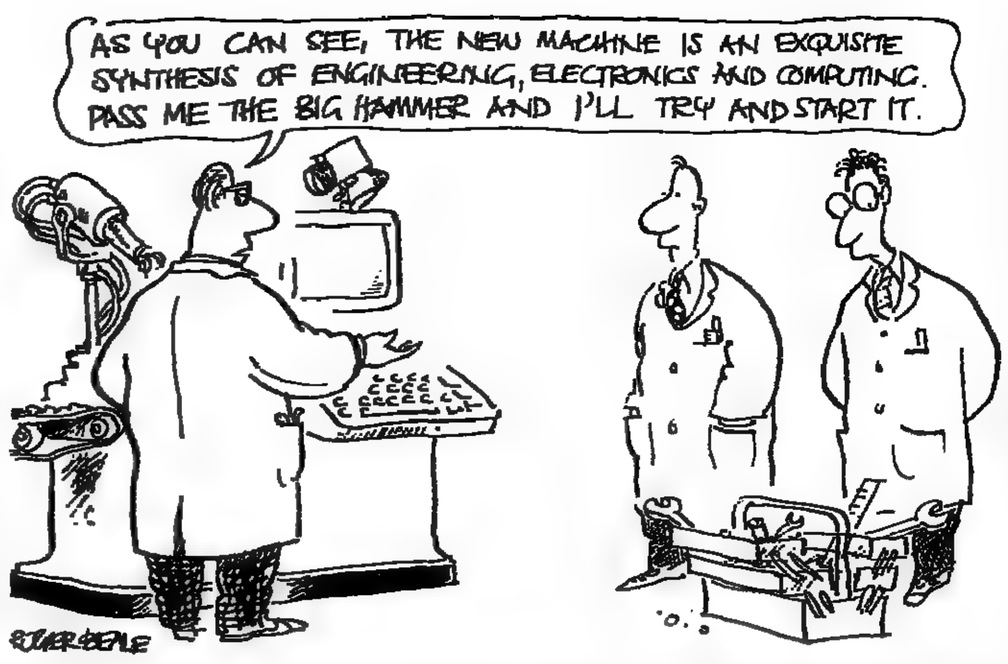
The Lancaster centre for mechatronic systems is being funded by the Science and Engineering Research Council. It is one of four new SERC centres specialising in new approaches to engineering design. The others are at Newcastle, the City of London and Cambridge.

One of Lancaster's first tasks is to seek to replicate, using artificial intelligence, what goes on in a designer's mind, so that different processes can be brought together automatically to produce prospective solutions for a designer.

David Dawson, the other deputy director of the design centre for mechatronic systems at Lancaster, says that traditional mechanical engineering "tends to plunge into some physical embodiment of an idea, then the controls are added on."

This separation of technological disciplines has little chance of producing the most efficient solution to a problem, because each discipline is not optimised in relation to the others.

He says that the teamwork necessary for the success of mechatronics could give a better chance for original ideas to bear fruit. "Interdisciplinary product teams can operate using a brainstorming approach at the very early stages of conceptual design, when the parameters are set. In contrast, intuitive processes are not so readily released when people are working alone."




Western engineers and manufacturers are catching up with Japan, with a range of ideas for using mechatronics to apply intelligence to machines.

These include mechatronic mushroom harvesters, intelligent robot gripper hands, mechatronic fabric handling, the intelligent automated assembly of shoe parts and self-service banking.

British Steel has commissioned a feasibility study from Hull University which will look into the benefits of automating its steel testing facility at Scunthorpe, Lincolnshire.

The present operation is highly labour intensive, with staff testing 3,000 samples of steel by hand each week. The system under consideration would automate specimen preparation and measurement, transfer automatically between machines, load and unload and issue certification.

Inventors in Switzerland, the UK, Sweden, Finland and the US have even used mechatronics to make intelligent robots play table tennis against each other in international contests.

The ping-pong robots were made to illustrate computerised sensor and high speed reaction systems, with robot arms accelerating at 25 times the force of gravity, much greater than the human hand could achieve.

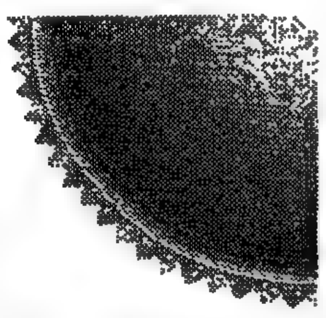
Mike Preston, lecturer in engineering design at Loughborough University of Technology, says the mechatronics term was coined by the Japanese. "In Japanese industry mechatronics describes the practice of using fully integrated teams of product designers working with manufacturing, purchasing and marketing personnel to design the product and the manufacturing system. It is evident that this philosophy is effective: the current ranges of Japanese cameras, computer peripherals and robots show the results," Preston says.

Jacob Buur, assistant professor at the Technical University of Denmark, says that because mechatronics displays characteristics differently from traditional machine design, they demand special methods and strategies. "Japanese companies seem to master these far better than their European counterparts. The power of Japanese mechatronics companies is a deliberate choice of competitive strategies based on fast moving markets for mechatronic products."

Mechatronic markets are driven by supply rather than demand, he says, and the very existence of a product itself may create the need among customers.

"Three circumstances seem responsible for the Japanese success in designing mechatronics: the education of engineers, the motivation of employees and the environment in the development laboratories; all three point towards interdisciplinary co-operation in product development."

Even the state of a person's desk can influence success or failure in interdisciplinary mechatronics. "There is simply no room for personal files at each desk in Japanese design companies," says Burr. "Instead, project teams often have a kind of public filing system. They share a common bookshelf."



## WORTH WATCHING
by Della Bradshaw

### Vessel makes a quick recovery

A BOOST to oil and gas recovery techniques in the North Sea is likely following the announcement this week of a \$43m (£22.8m) order for a specialised well stimulation vessel, writes David Thomas.

The vessel has been ordered by Houston-based Western Petroleum Services International, an oil recovery and related services company, from a Singapore shipyard owned by the Keppel Corporation.

Well stimulation is a technique to increase both the speed of recovery and the amount of reserves that are recovered. Western says that its vessel will be able to increase recovery rates by two to three times and boost yields by up to 30 per cent.

It involves pumping an abrasive agent, typically sand, suspended in a gel into a well to release reserves. Although the technology is well developed, Western says that the size of its ship will allow more rapid recovery than any other stimulation vessel now operating in the North Sea.

The company also claims that its vessel, due to enter service in 1992, will incorporate significant innovations in pumping technology, in computer control and analysis and in abrasive chemistry.

Ed Will, Western International's president, said that well stimulation will become increasingly important as more marginal North Sea fields are developed.

### Retailers' shelves will not dry up

BRITAIN'S unpredictable weather can cost retail businesses millions of pounds by catching them with the wrong goods on the shelves.

To help overcome the problem the UK Meteorological Office and Datasolve Business Services, of Sunbury-on Thames, have developed software to help predict what customers will want to buy.

To use the weather service, the retailer gives recent years' stock sales — of cold drinks, say — to the Met Office. This data is matched with weather records for those dates and from that the relationship between sales and weather is calculated.

The software in the retailer's PC is connected to the Met Office computer so that information on current and future weather can be sent to update the computer data and warn retailers which items they need to stock.

### Superconductors stand the heat

JAPANESE electronics manufacturer Hitachi announced this week that it has discovered a new class of superconductors which lose their resistance to conducting electricity at higher temperatures than their predecessors, according to a Reuter report.

Superconductors only work at very low temperatures, and research work on the new materials is focused on finding one that works at near room temperature.

Hitachi's material is a compound oxide of vanadium, which loses all resistance at 130 Kelvin (minus 143 deg C). The previous record-holder was copper-thallium which worked at 122 Kelvin (minus 151 deg C).

### Navigator steers program course

ERNST & Young has produced a software development methodology called Navigator, which steers software writers through from the first inkling of a new application to its final implementation.

The methodology should help standardise the software-writing procedure as well as speeding up the time it takes to write applications.

Ernst & Young says that Navigator is the first methodology available which takes this cradle-to-grave approach.

Included in the methodology is advice on using tools such as Case, but the tools themselves are not included as the developers went to keep the methodology flexible enough to incorporate new tools and techniques as they are developed.

Navigator is intended for companies employing 30 systems development staff and with a software budget in excess of £1m per year.

### Counting up the sun's strength

AVID sunbathers will be glad to hear of a wristwatch-type device which calculates how long a person can stay in the sunshine before the rays become harmful.

The Sunwatch needs to be programmed by the user with skin type and the strength of sunscreen being used. A sensor, made from a fluorescent dye dissolved in a clear acrylic sheet, then measures the burning rays from the sun. This enables the device to calculate the length of time the person can stay in the sunshine.

Developed by Quayle Davison, of Cambridge, for Saltek, of Hong Kong, the Sunwatch will be on sale next year.

Contacts. Western Petroleum Services: US, 713 629 2600. Met Office. UK, 0344 856917. Hitachi: Japan, 03 258 1111. Ernst & Young: UK, 071 928 2000. Quayle Davison: UK, 0223 421145. Saltek: Hong Kong: 341 8211.

# ARTS

## Arts Week

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## EXHIBITIONS

### London

**Royal Academy of Arts.** Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition has opened in London sending reviewers scurrying to *explain the artist's double vision.* Burlington House, Piccadilly (287 9579).
**Hayward Gallery.** Eduardo Chillida. Major retrospective of the Spanish sculptor (261 0127).

### Paris

Carte musées et monuments sold in museums and metro stations enable visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles.
**Marmottan's Monets.** For lovers of impressionism, the Musée Marmottan is a must. A *charming town house set in greenery,* it houses an important collection of paintings and drawings by Claude Monet and his friends. Monet's love of London is represented by the Houses of Parliament. Musée Marmottan, 2 rue Louis-Boilly, closed Mon.
**Louvre.** Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Open all days from 12 am to 10 pm, except Tuesdays. Ends Dec 31 (40205166).
**Galerie du Carrousel.** 19th century French masters. There are some remarkable small bronzes by Degas and Daumier, there are two or three oils, but the *speciality of this small left-bank* gallery remain drawings by the Ecole de Barbizon. 11, quai Voltaire (42611075). Closed Sun and Mon.
**Grand Palais.** Picasso. A portrait of Jacqueline Picasso with her hands crossed round her knees is the symbol and the central point of an exhibition of 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs which have come to enrich, in lieu of death duties, the French national collections. Closed Tue, Wed late closing, ends January 14.
**Musée d'Orsay.** The spectacular museum of the 19th century is situated opposite the Tuileries gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the Impressionist and post-Impressionist collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries, long derided for their pomposity.1 rue Bellechasse (45494814). Closed Monday.
**Picasso Museum.** The restored 17th century Hotel Sale, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cézanne and Douanier Rousseau. (42712421).
**Musée de Cluny.** *Medieval Art* in Paris. The Abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the ruins of Roman baths. Now a museum, it houses medieval works of art – goldsmiths' work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Place Paul-Painleve, (43256200). Closed *Tue and lunchtimes.*
**Musée Rodin.** Delightful 18th century town house - Hotel Biron - contains the life work of Auguste Rodin, who opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais trudge to their tragic destiny and Balzac defies time. Closed Tue.

### Martigny

**Fondation Pierre Gianadda.** Modigliani. Some 50 oils, as many drawings and some sculptures form an important retrospective of the *Italian-born artist* living at the beginning of the century in the feverish atmosphere of Montparnasse and Montmartre. In contrast, the rather stylised two-dimensional portraits of his friends and of Jeanne Hebuterne, his last and tragic companion, embody perfect repose. (26 223978).

### Brussels

**Palais des Beaux-Arts.** 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits. Daily ends Dec 30.
**Musée d'Art Moderne,** Place Royale. The Goldschmidt Collection of Modern paintings recently left to the museum is on view in its entirety for the first time. Works by *Braque, Chagall, Hockney,* Klee, Miro and others. Closed Monday, ends December 16.
**Musées Royaux d'Art et d'Histoire.** Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31.
**Hilton Hotel.** Paintings by Luciano Pavarotti. Daily ends 23 September (02-513 88 77).
**Palais des Beaux-Arts.** 5 million years: The human adventure. Man's evolution shown through 200 archaeological artefacts and other exhibits. Daily, ends December 30.

### Barcelona

2nd Barcelona international art forum. Fundacion Miro. Joseph Beuys. Some 130 drawings on *the theme of oriental philosophy* in an interchange with the Kestner Gesellschaft in Hannover. Closed Mondays. Ends 18 November.

### Turin

**Castello di Rivoli.** A retrospective of minimalist artist Mario Merz. The works are not, however, *in any particular order:* a glass with a neon light running through it, dating from 1967, sits on a recently made table. The artist has made witty use of the frescoes and stucco designs in this ex-royal palace of the Savoia family, now restored and transformed into a museum of modern art (ends September 23).

### Florence

**Palazzo Vecchio.** The age of Masaccio: tying in with the reopening of the Brancacci chapel in the Church of the Carmine after a six-year restoration on the cycle of frescoes by *Masaccio* and Masolino, are 109 works by painters and sculptors who worked in Florence in the golden years between 1401 (the date of Masaccio's birth) and 1440. Included are frescoes, sculptures and drawings by Paolo Uccello, Beato Angelico, Gentile da Fabriano, Donatello, Brunelleschi, Ghiberti and Filippino Lippi, and four paintings by Masaccio himself.

### Venice

**Palazzo Grassi.** From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Leger's 1950 Builders with Rope, this exhibition provides a truly *delightful canter through modern art from the late 1870s* onwards. Included in the group of paintings lent by the Guggenheim in New York are 32 works from the remarkable Thannhauser collection, none of which have been back to Europe since they were bequeathed to the museum in 1940. Justin Thannhauser's group include some fine Cezannes, two famous early Picassos: Le Moulin de la Galette and the Fourteenth of July, and excellent examples of almostevery other artist of note (mainly French) you can think of. A large group of works, *come from the* Peggy Guggenheim collection at the Palazzo Vernier in Venice. Particularly prominent are the surrealists, her particular interest, among which is Max Ernst's fascinating The Antipope. Much of the pleasure of the exhibition comes from its sensitive layout by the architect, Gae Aulenti. Ends December 9.
**Palazzo Ducale.** Titian. This exhibition organised jointly by the Venice local council, the Arts Ministry and the National Gallery in Washington, marking the 5th centenary of the painter's birth, is the largest for over 50 years. More than 70 paintings are on show, *lent* by American, Russian and European museums.

### Düsseldorf

**Kunstmuseum,** Ehrenhof 5. Conrad Felixmueller. Around 80 paintings, 80 watercolours, drawings, 40 prints as well as five plastics by the expressionist painter are on display until October 28.

### Frankfurt

**Jüdisches Museum,** Untermainkai 14/15. Expressionism and Exile from the most important private collection of Ludwig and Rosy Fisher, 117 paintings are exhibited. Among the artists are Kirchner, Heckel, Nolde and Mueller. Until October 10.

### Hanover

**Sprengel Museum.** Kaethe Kollwitz (1867-1945). Eleven plastics, *70 paintings 70 prints of the politically radical artist* are to be seen until October 28.

### Essen

**Museum Folkwang:** Vincent Van Gogh and Modern Art. On the 100th anniversary of Van Gogh's death, this exhibition aims to display his influence on European modern art. With 50 of his own paintings and 120 by other artists it shows his impact on art in the period 1890-1914. Among the other artists are Matisse, Derain, de Valminck, Picasso, Kirchner, all influenced by Van Gogh.The exhibition moves to Amsterdam in Nov. Ends Nov 4. Goethestrasse 414500, Essen 1.
**Villa Huegel 15.** St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibition details the developments of Russia from a great empire to a European power. St Petersburg was the residence of Peter the Great and acted as an intermediary between east and west. The exhibition covers the period from the 18th to the 19th century of Tsars Paul I (1796-1801) and Alexander I (1801-1825) in its role as the political, intellectual and economic centre of Russia. This unique show gives a clear, variegated view of the historical importance of the period of the Russian empire, with paintings, furniture, sculptures, costumes and porcelain.

### Berlin

**Martin-Gropius-Bau,** Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe. This exhibition in Berlin will be the first organised by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. Otto von Bismarck, born 175 years ago in Schoenhausen, was the German Imperial Chancellor and Prussia's premier before he was sacked by the young Kaiser Wilhelm II 100 years ago. The current political changes in Europe, particularly in East Germany, underline the importance of this exhibition, which also attempts to explain what happened after the revolution of 1848. Bismarck was at the centre of several conflicts in relation to industrialisation, social *questions and the* impetus towards forming nation-states in Europe. An accompanying programme includes literature, music performances, films and video. Until November 25.

### New York

**Brooklyn Museum.** From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit *makes the claim* for Albert Pinkham Ryder as the first modern American painter. Ends Jan 6.

### Washington

**National Gallery.** Artistic dividends of the end of the cold war continue with a comprehensive show of Suprematist Kasimir Malevich and his Soviet contemporaries with works never before lent by the Soviet Union. Ends Nov 4.

### Chicago

**Chicago Historical Society.** A House Divided. America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator.
*Art Institute. The Russian Taste* for French Painting is a tribute to the cultural impact of improved Soviet-American relations with its French masterpieces borrowed from the Hermitage and Pushkin Museums. Works from Poussin to Matisse include Manet, Renoir, Cezanne and Gauguin.

### Tokyo

**Hara Museum.** Hara Annual 10. Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists – a good opportunity to observe new developments and directions in Japanese art. Opens September 29.
**Touko Museum.** Issey Miyake: Pleats Please. Costumes and art objects by Japan's top fashion designer. The pleated costumes that look like space suits and feature geometric designs are based on his 1989 Paris collection.
**Bunkamura,** The Museum. Dante Gabriel Rosetti. For some reason, the pre-Raphaelites appeal to the Japanese sensibility, so this exhibition of some 120 paintings and drawings is likely to prove popular.
**Setagaya Museum.** British Art Now. 16 artists are represented, including David Mach who came especially to Japan to *install* a three-dimensional seascape made from 30 tons of old magazines. Closed Mondays.

## MUSIC

### London

**Glenn Miller Orchestra.** An evening of popular Glenn Miller hits (Sat). Royal Festival Hall (928 8800).
**The Philharmonia** conducted by *Giuseppe Sinopoli* with Jorge Bolet (piano), plays Liszt and Mahler (Sun). Royal Festival Hall (928 8800).
**Quorum.** Julia Munn (clarinet), Martin Pring (violin), Hugh McDowell (cello), Andy Spiceley (piano) with Martin Harvey (trombone) (Mon). Purcell Room (928 8800).
**The London Classical Players** conducted by Roger Norrington with Melvyn Tan (fortepiano), plays Brahms and Mozart (Tue). Queen Elizabeth Hall (928 8800).
**Royal Philharmonic Orchestra** conducted by *Mark Elder* with Elizabeth Connell (soprano), Linda Finnie (mezzo-soprano), Edmund Barhum (tenor), Willard White (bass) plays Verdi's *Requiem* (Wed). Royal Festival Hall (928 8800).
**Sir Michael Tippett 85th Birthday Concert** with The London Bach Orchestra. Conducted by John Lubbock with Teresa Cahill (soprano). Corelli, Tippett and Mozart (Thur). Barbican Hall (638 8891).

### Paris

**Zurich's Collegium Musicum** conducted by Paul Sacher. Martin, Dutilleux, Honegger (Mon). Théâtre des Champs Elysées (47203637).
**Peter Schreier recital** (Mon). *Salle Gaveau* (49530507).
**Michael Ponti,** piano. Chopin, Tchaikovsky (Wed). Salle Gaveau(49530507).
**Ghent Vocal Collegium** conducted by Philippe Herreweghe. Schütz (Wed). Saint-Louis des Invalides chapel (42302308).
**Orchestre de Paris** conducted by Semyon Bychkov, Orchestre deParis choir conducted by Arthur Oldham. Mozart, Beethoven (Wed, Thur). Salle Pleyel (45633873).
**Orchestre National de France** conducted by Manuel Rosenthal, Anne Queffelec, piano. Debussy *(Thur). Théâtre des Champs Elysées* (47203637).

### Amsterdam

Marjana Lipovsak (mezzo) accompanied by Gérard Wyss. Von Einem, Brahms, Mussorgsky (Tue). Concertgebouw (781 345).

### Utrecht

Rotterdam Philharmonic with Frank Peter Zimmermann (violin), James Conlon conducting. Strauss, Mozart (Thur). Vredenburg (31 45 44).

### Brussels

The Festival of Flanders has evolved over the past decade into a major European music festival. It will continue through the autumn with concerts and opera in auditoria, museums and chateaux across Belgium.
**BRT Philharmonic Orchestra** conducted by Alexander Rahbari with Don-Suk Kang in a programme of Debussy, Nielsen and Ravel (Fri). Palais des Beaux-Arts.
**Gothenburg Symphony Orchestra** and the Dania Sonans choir conducted by Neeme Jarvi with *soloists* perform Sibelius and Mozart (Sun). Palais des Beaux-Arts.

### Antwerp

**Festival of Flanders.** Alban Berg Quartet play Bartok and Mozart (Sat). De Singel.
**Luciano Pavarotti** (tenor) with The Flanders Philharmonic Orchestra conducted by Leone Magiera, Andrea *Griminelli* (flute) (Sat). Sportpaleis (091-25 77 80).

### Gent

**Camerata Academica Salzburg** conducted by Sandor Vegh in a programme of Mozart (Sat). Festivalhal Bijloke-abdij (091-25 77 80).
**Juilliard String Quartet** perform Hindemith, Mozart and Ravel (Tues). Festivalhal Bijloke-abdij (091-25 77 80).

### Berlin

**Dietrich Fischer-Dieskau** Lieder recital, accompaniedby Hartmut Höl in songs by Hugo Wolf (Tues). Opera House.

### Frankfurt

**Frankfurt Opera and Museum Orchestra** conducted by Garcia Navarro with Marcela Holzapfel (soprano) and Alicia de Larrocha (piano) play works by Hindemith, Mozart and Falla (Sun, Mon). Alte Oper.
**Frankfurt Radio Orchestra** under Erich Leinsdorf with Strauss,Brahms and Stravinsky (Thur). Alte Oper.

### Milan

Uto Ughi (violin) in a concert of Brahms and Richard Strauss conducted by Christian Thielemann (Fri). Teatro Alla Scala(80.91.26).

### New York

**New York Philharmonic** conducted by Zubin Mehta with Florence Quivar (mezzo-soprano) and the Westminster Symphonic Choir directed by Joseph Flummerfelt. Mahler (Tue); Zubin Mehta conducting with Evgeny Kissin (piano). Schubert, Stravinsky, Chopin (Tue); Marvis Martin (soprano). Barber, Strauss (Thur). Avery Fisher Hall, Lincoln Center (874 6770).

### Tokyo

**Academy of St Martin-in-the-Fields** conducted by Sir Neville Marriner. Schubert, Mozart, Beethoven (Mon); Mendelssohn, Mozart, Beethoven (Wed). Suntory Hall (289 9998).
**I Solisti Veneti** with Stanislav Bunin (piano). Vivaldi, Rossini, Mozart. Suntory Hall (Tues) (408 8011).

## OPERA AND BALLET

### London

**Royal Opera,** Covent Garden. The opening production of the season is *Turandot,* in a production by Andrei Serban that counts as one of the company's most colourful and imaginative efforts of the last decade. Ghena Dimitrova, Vladimir Popov, Lucia Mazzaria and Robert Lloyd take leading roles, and Colin Davis is the masterly conductor.
**English National Opera,** Coliseum. Highlight of the whole London operatic week is the city's first showing of *Greek,* an opera by the young English composer *Mark-Anthony* Turnage based on the Steven Berkoff play which caused a sensation on its previous appearances (in Munich and Edinburgh). The cast of four – Helen Charnock, Fiona Kimm, Quentin Hayes, Richard Suart – is conducted by Richard Bernas. More performances of the cogent, boldly Expressionist new production of *Wozzeck,* conducted by Mark Elder, staged by David Pountney, with Donald Maxwell in the title role; and of Jonathan Miller's 1940s-style *Tosca* production – a good idea not very successfully realised.

### Paris

**Théâtre de la Ville.** Jan Fabre is followed by Merce Cunningham and the Merce Cunningham Dance Company with *Inventions, Fabrications* and *Field and Figures* in whichhe continues, now aged 70, with his revolutionary conceptions of contemporary ballet (42742277).
**Chatelet.** The new production of the dramatic legend *La Damnation de Faust* is performed by the Philharmonia Orchestra with John Eliot Gardiner as conductor and by the Théâtre duChatelet choir conducted by Donald Palumbo (40282840).

### Brussels

**Théâtre Royal de la Monnaie.** The Monnaie opera in Verdi's *Simon Boccanegra,* staging by Gilbert Deflo, sets by Carlo Tommasi. The Monnaie Symphony conducted by Sylvain Cambreling. Jose Van Dam (bass) as Simon, Nancy Gustafson (soprano) as Amelia and David Pittsinger as Fiesco (Sun, Tues). *Part of the Festival of Flanders.*
**Salle Saint Michel.** The Max Zygmunt Orchestra in Mozart's *Don Giovanni* conducted by Philippe Mercier, staged by Ronny Lauwers with Jo Baert, Rosa Brandao, France Emond, Anna Maria Ho and Werner van Mechelen (Thur) (010-47 48 76).

### Amsterdam

**The Netherlands Opera** with its acclaimed new production of Richard Wagner's *Parsifal* directed by Klaus-Michael Grüber. Netherlands Philharmonic is conducted by Hartmut Haenchen, with Barry McCauley in the title role. Muziektheater.

Continued on Page 21

## ARTS

# 'Les Troyens' in Glasgow

The production of Berlioz's masterpiece that was one of the highest points of British operatic life in the 1980s has arrived at its final home. *Les Troyens* has been a co-operative project shared between Opera North, Welsh National and Scottish Operas; the first part was unveiled in Leeds in the autumn of 1986 and the second added to it in Wales the following spring. Now in Glasgow it has been partially disjointed again; overtime costs have prohibited complete performances and so Tuesday saw the opening of "The Capture of Troy" (Act 1 and 2), Wednesday "The Trojans at Carthage" (Acts 3, 4 and 5). It is sung in French, but now for the first time with surtitles taken from Hugh Macdonald's English translation. In six weeks time, however, it will all come together again, first for one performance at the Theatre Royal, and then on December 3 and 5 for two evenings at Covent Garden.

Initial anxiety that the full dramatic force of Berlioz's dramatic span would be blunted by the separation was almost entirely blown away by the excitement and delight of revisiting such a score and in relishing again Tim Albery's searing production of it. One feared momentarily that it would not regain its cutting edge: the opening chorus of the first part, hurled at the audience with fierce expressionist lighting effects went awry. But thereafter little did and every detail was fitted into Albery's magnificently comprehensive scheme.

The production's most telling images (designs by Tom Cairns) had stayed in the mind – the cell-like upper chamber for the Trojan women, in which the tension of the second act reaches genuine claustrophobia, the parade of Freudian imagery for the Royal Hunt and Storm as Dido wanders through her own sexual fantasies and fears, the final moments of the opera bathed in a cruel red light. But many more returned to haunt – the larger-than-life geckos and skinks clinging to the Mediterranean palace walls of the third act, the endless layers of blood-red sheets that Dido tears from her bed in her mindless grief, her collapse into a forest of golden arrows (Freud again!) when her despair reaches breaking point; Albery's control of visual effects is as sure as his command of the dramatic pacing.

So Part 1, with its implacable trajectory towards tragedy, is presented in austere greys and blacks with few frills; everything is channelled towards those last horrifying moments, with the red-gowned Cassandra fuelling the disaster. There is no room for extravagance. Then in Part 2 where the pace is more measured, the music more ample, the focus shifted from the public to the private, the imagery blossoms. The Royal Hunt and its aftermath become both the dramatic and decorative hub of the production in which each element has its place, even the ballet, choreographed by Ian Spink for Second Stride, which by turns is a wonderful send-up of the whole opera-ballet genre and yet another layer of Freudian reminiscence for Dido to sentoelle.

Scottish Opera has assembled an entirely new cast, one that in many ways seems the strongest yet for this production. It is dominated by its female protagonists, by Katherine Ciesinski's Cassandra and Kathryn Harries's Dido; they, together with John Mauceri's instinctively theatrical conducting, are the sparks that ignite the fire burning through both evenings. Ciesinski is the sister of Kristine Ciesinski who sang Cassandra in the Leeds performances and is currently appearing at the Coliseum in *Wozzeck*. She is a marvellously compelling singer, thrillingly even in her delivery, richly coloured in the lower register; the fury that mounts in Cassandra was uncompromising, the final moments terrifyingly bleak.

Harries's achievement is of another kind altogether, in what must surely be her finest role to date. All this Dido does is affecting – the purity of her line and diction, the allure of the vocal tone and physical presence, the heartbreaking poignancy of her grief in the final act. It is an astonishingly complete performance. Harries it was who raised the second evening to heights that even Part 1's intensity had never promised, and in doing so brought the best out of Seppo Ruohonen's Aeneas, unprepossessing visually and musically in Part 1, much more suave subsequently and matching Dido's lyrical poise in the fourth-act duet, as well as from everyone else orbiting around her – Alasdair Elliott's splendidly truculent Iopas, Patricia Bardon's Anna, Peter Rose's Narbal, and a beautifully voiced Hylas from Mark Curtis. In Part 1 it had been the chorus who dominated, goaded by Cassandra, with Steven Page's plausibly eloquent Chorebus offering impressive security.

It is a production of all-round company excellance, then, proving the enduring worth of Albery's conception, and one with a real star. Miss Harries's astonishing portrayal must be seen, wherever tickets can still be found.

**Andrew Clements**

Katherine Ciesinski in Part I, The Capture of Troy

Keith Baxter and Joan Collins

# Private Lives

**ALDWYCH THEATRE**

It must be a while since there was a first night in London like this: crowds, crushes, photographers, stars all over the place, applause for the sets, applause for the characters as they appear and Joan Collins playing Amanda in Noel Coward's *Private Lives*.

There was a slight apprehension on my part that it might not work. Forget it. It is not just that Ms Collins speaks the lines as well as anyone else might do. She also acts: face, hips, fingertips and toes. This *Private Lives* is worth seeing for her alone – hence Wednesday night's excitement, but there is more to it than that. By the end of the evening the audience was cheering Sara Crowe's Sybil – the harder part to play because she seems such a prig – quite as much as it had earlier rooted for Amanda.

It was a strange audience, none the less. Some of the work's best known lines passed almost unnoticed. Old hands *know them by heart*. "Don't quibble, Sybil." "Extraordinary how potent cheap music is" was almost lost. Even "very flat, Norfolk" fell – well – fairly flat. Not even the second reference to it was much picked up.

Instead the audience went for the seemingly more modern feminist touches: for instance, Amanda querying her first husband's statement that it is reasonable for him to have had more affairs than her because he's a man. "Excuse me a moment," says Amanda, "*while I get a caraway biscuit* and change my crinoline." Applause all round.

There was just the faint feeling that a lot of people had not seen the play before. If so, they have a lot to look forward to, for the merits of *Private Lives* grow with time and the ending is a gem. The piece has a perfect symmetry: note the way Amanda tells her new husband in the first act of her pleasure of hitting her ex over the head with gramophone records. In the second act we see her do it.

There is also a wonderful playing with places. Not only "Very big, China," but "Have you ever crossed the Sahara on a camel?" "Frequently." And towards the end when the couples make conversation over breakfast: "Have you ever been to Brioni?" "No, it's in the Adriatic, isn't it?" "The Baltic, I think." "I once had an aunt who went to Tasmania." All that is pure pleasure.

The unfortunates are sometimes Sibyl and Victor, the new spouses of Elyot and Amanda. Not here. Ms Crowe injects a note of sexiness into Sybil's innocence and of fire into her priggishness. Edward Duke makes Victor – the most difficult part of all – slightly more than the stooge he is. Keith Baxter plays Elyot, easy enough perhaps for a professional, given the Coward script. But it must be hard to play against Ms Collins. He does it by giving her slightly the upper hand.

*The play is directed by Tim* Luscombe. As for Ms Collins, she might like to consider having a shot at two other Ladies of the English stage: Bracknell and Macbeth.

**Malcolm Rutherford**

## *ITV wins at the Prix Italia*

The unparalleled success of British television in international competition was emphatically confirmed here today when British programmes took the top prizes at the Prix Italia Festival in the documentary and ecology categories. The glory was all ITV's. The 15m Lire prize (about £6,600) *for* documentaries went to *Hello, Do You Hear Us?*, an extraordinarily frank account of life in today's Soviet Union, made by Yuris Podnieks for Central Television. The same company produced the ecology winner: *Can Polar Bears Tread Water?*, which considers the possible international implications of mass migration in the event of climate change. The British *documentary won* against 25 entries from 17 other countries.

**Christopher Dunkley**

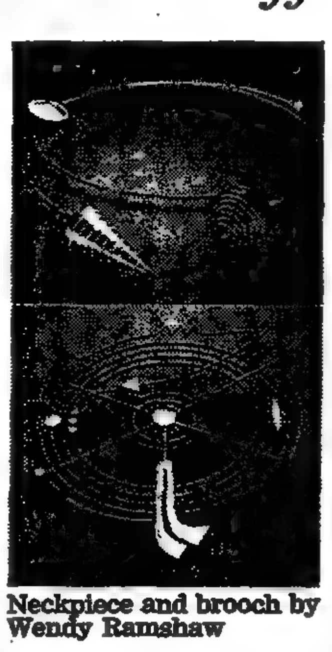
# Sculpture on and off the body

Wendy Ramshaw's position at the forefront of the avant-garde New Jewellery movement is proof that experimentation and innovation are not incompatible with fine workmanship and precious materials. Or with wearability. While she sees herself as an artist and her work as "drawing" on the human body, *three-dimensional drawings* or body sculpture such as her linear orbital neckpieces are conceived with rare respect to the wearer. Ramshaw's hi-tech is remarkably user-friendly.

For someone who claims to make objects "whose function is to decorate the human body," she shows herself as concerned with the form and presence of her objects off the body. The precision-tooled posts for the endlessly adaptable ring sets that made her reputation have become as important as the rings they *hold*, independent Futuristic structures. It is sculpture on or off the body.

She considers herself an artist rather than a craftsman or designer, although her place of work is more machine-shed than studio and numerous projects have embraced mass-production and industrial collaboration. The tension between fine art and industrial design has shaped and honed her work for 20 years. A lively retrospective of her work is at the South Bank Craft Centre in the Festival Hall (until October 7).

The exhibition offers rapid leaps in mood and materials as it charts her remarkably constant aesthetic challenged by a stream of good ideas. It bursts forth in psychedelic frenzy in the Swinging Sixties, when Ramshaw and husband David Watkins were the first to produce commercial paper jewellery – cheap, fun and throwaway. Thankfully, not all of it was thrown away. Alongside the lime and yellow, orange and red butterfly hair ornaments, earrings and brooches on display on blown-up press



Neckpiece and brooch by Wendy Ramshaw

images of Twiggy and the Shrimp are cases of exuberant proto-punk coxcombs, headpieces of brilliantly dyed emu-feathers, left flying freely or neatly clipped and combined with clay, silver-gilt and enamels. They evolved out of an Artist-in-Residency in Western Australia in 1978, a response to both aboriginal art and the colour of the landscape.

In 1982 came further experi*mentation with ceramic forms* and collaboration with Wedgwood which produced a range of studio jewellery using turned basalt jasper in the firm's traditional palette. This time concentric orbits of arrows and pointed cones are softened by the light-absorbing pastel ceramics. In the glinting nickel alloy neck-pieces (definitely not neck laces) the angles and tensions sharpen.

*Such austere, rigorous* and geometric minimalist forms seems to derive from space-age technology. The earliest rings sets of bands of yellow and white gold – bravely made at a time when precious materials were scorned in art jewellery – rest on nickel silver columns like thrusting space rockets.

Modern art provides a parallel inspiration. Watkins and Ramshaw's first commercial venture was the production of screen-printed perspex jewellery. For decoration they looked to Mondrian and Op art. Later, the attenuated spidery lines of the elegant long pins confected out of combinations of metal wires and thread, enamel and paper, recall the Klee or the symbolic mark making found in Kandinsky.

With the series of "Picasso Ladies" the relationship becomes direct. Ramshaw selected a group of Cubist Picasso portraits that sought to distil the essence of the sitter, and took their rhythms and forms and colours as a point of departure for a range of brooches, hair combs, ring sets and neckpieces. They employ virtually all the materials Ramshaw has ever experimented with, from silver and gold leaf on paper to strident Colorcore, a Formica which is laser cut and laminated in brightly coloured layers.

In "Glass Portrait" an optical glass disc provides the ground or face for silver, amethyst and aquamarine earrings which suggest eyes and ears, silver and garnet rings which form a mouth, and a silver brooch for a nose. *It is like a reworking of* a Picasso plate.

Ramshaw has never been short on ideas, or application. The eclecticism of her visual sources is well matched by her experimentation in diverse materials. Her best work is formally thrilling, and reveals a great feeling for colour and texture – witness the neckpiece juxtaposing cornelian, sapphire, enamel, ceramic and feathers *in a gamut of blues* which runs from grey-blue to magenta. But perhaps the most elusive quality of Wendy Ramshaw's work is that – psychedelia aside – *it refuses to date*.

**Susan Moore**

# Redevelopment

**ORANGE TREE, RICHMOND**

The place to comprehend fully the pace of change in Eastern Europe is the Orange Tree Theatre in Richmond. *It is* presenting a play by the President of Czechoslovakia, Vaclav Havel. When he wrote *Redevelopment* less than three years ago he could still portray his country as a totalitarian nightmare; today it is pluralistic enough to hail Mrs Thatcher.

*Redevelopment*, translated by James Saunders, is a magnificent achievement. Havel has managed to compress into little more than two hours three powerful interwoven themes. First there is a plot which would be immediately over-familiar to British audiences for the past decade or so – the conflict between know-all architects, with their improving plans for "entertainment zones" and "palaces of culture," and the impoverished locals who want to be left alone in their insanitary, picturesque homes.

But it requires little imagination to realise that the six architects walled up in a castle over-looking the rural slum they are commanded to purify is an allegory for Czechoslovakia. Periodically Government inspectors arrive *to announce radical shifts in* policy. One inspector seems to offer them architectural freedom and the group gets deliriously drunk (here is Havel, the crypto politician, warning of the thin line between liberty and licence) but soon the clamp comes down again. Marching purposefully across the stage there is the dark suited, red badged, "special secretary" (Neale Goodrum) who exercises the real power – the power of life and death.

Yet Havel's genius lies in the third and strongest theme – the emotional entanglements among the architects. However powerful their political dreams it is love which finally cracks the carapace of hypocrisy under which they have learned to exist. Writing in 1987-88 Havel still ends on a bleak note, with death, and imprisonment, and break down. How darkest before the dawn it all is.

*In its richness this should be* a play for the National Theatre. Fortunately the Orange Tree has pioneered Havel (this is his eighth play to be presented here) and its tiny stage provides the perfect cockpit setting to draw out intense performances from a cast of ten. Timothy Weston, as the idealistic architect who identifies with the villagers, somehow manages to avoid being just another young, bearded, polo necked, febrile intellectual. Tim Hardy, as the smooth, self pitying project director, adept at mouthing reassuring platitudes, also leaps beyond caricature. Indeed director Sam Walters gets sympathetic performances from the entire *ensemble* in which Frank Shelley and Janet Kay deserve recognition.

There used to be complaints that there were no conservative plays to combat the Hares and the Brentons. This is an impressive *counter-blast. For all its* polemic it is very funny, has some fine uplifting speeches, and is totally human. See it.

**Antony Thorncroft**

# Les Ballets Africains

**SADLER'S WELLS**

The Ballets Africains are no strangers to London. Years ago, when Keita Fodeba first introduced us to the dance culture of Guinea, we admired the energies and masks and acrobatic feats, the stilt-walking and drumming and tirelessly shimmying midriffs, that are the vocabulary of movement from this region of Africa.

And on Tuesday, in an open*ing performance in Rosebery* Avenue, the materials were much the same. The troupe has circled the globe many times since we saw it last, and the routines are in the main slickly cheerful, but still the drums drive the dancers and singers on, and still the rhythms fly through the flailing limbs and frantically pounding feet.

A serious problem on this occasion was the crass over-amplification of every least instrument and voice. Drumming was made brutishly, deafeningly loud – and there are sophistications of timbre which we should be allowed to hear - while that most beguiling *instrument the Kora (a gourd* harp) had the subtlety of a rock-star's electric guitar. On earlier visits its sonorities have been *delicately plangent*: now it was no more than another element in a relentless din. The Wells must mend its ways, and respect our ear-drums.

The matter of the evening was without much surprise. The routines have the proper ethnic lineage, and costuming, performance, setting are all that one might hope for in the theatre. The problem is, of course, that there is a far more serious African creative tradition than this, where dance is integral to a people's existence, a reflection of every important incident in the life of an indi*vidual or of his community*.

This must inevitably escape the stage, and we are left with decent but superficial elements – the fast-driven men's bodies gleaming as they leap and fall and prance; the happy swayings and sudden accelerandos of arms and legs as the women succumb to the drums' message.

There is, though, one enterprising *scena* in the evening in which a folk legend is told about a girl who gives herself to a river god. When the god is shot by a hunter who loves the girl, she drowns in the river, and the hunter is cast out from his tribe. The theme would have suited Petipa – the implied conflict between sacred and *profane* love is not unworthy of *La Bayadère* – and the Ballets Africains' version has a clear narrative impulse and style. It is let down, as are other incidents in the evening, by uncertain editing. But there are the basics in this scene of a *true African ballet, which uses* dance as something more than willing but unadventurous display.

**Clement Crisp**

## *Money for museums should be doubled*

"We are close to the edge of the precipice," said Lord Morris, chairman of the Museums *and Galleries Commission* yesterday, "and I hope that the new Minister for the Arts (Mr David Mellor) does not suggest *a giant leap forward.*"

Introducing his last report as chairman, and by far his most apocalyptic, Lord Morris called *for speedy Government action* to stop a flood of national art treasures leaving the country. He specifically asked for a doubling of the annual purchase grants of the national museums – which have been collectively frozen for the last seven years at £13m – plus at least £4m extra for the hard pressed "safety net" organisation, the National Heritage Fund.

Lord Morris, who retires at the end of 1990, says that the current export control system is breaking down because there is no clear Government policy. The unwelcome and unexpected decision earlier this year by the temporary Secretary of Trade and Industry, Mr Nicholas Ridley, to allow individuals to put up matching *bids for national treasures* which had been temporarily stopped from leaving the country, has bedevilled the whole *system*.

He did not expect the Government to back down on this confusing initiative but he *called for the control of the* export procedures to be transferred to the Minister for the Arts and for a two tier system which would give *museums* and galleries priority over individuals in raising the money to save threatened treasures.

Lord Morris issued a *clear* warning to Derbyshire County Council which, in its poll tax stricken state, is threatening to sell its *museum treasures* to raise money. If it went ahead with what could well be unlawful procedures, the Museums Commission would stop its grants to the County.

**Antony Thorncroft**

# ARTS GUIDE

## September 21-27

### OPERA AND BALLET

Continued from Page 20

**Parma**

Verdi Festival (until Sept 30). Gustav Kuhn conducting Verdi's *Alzira*, with a cast of young prizewinning singers and the Bologna Comunale orchestra (at Teatro Magnani in nearby Fidenza). Daniel Oren conducts *Il trovatore* at the Teatro Regio in Parma (218687).

**Berlin**

Opera. *Die Zauberflöte* is a well done repertoire performance. *Die lustigen Weiber von Windsor* features Lucy Peacock, Gudrun Sieber, Patricia Johnson, Alfred Kuhn and Barry McDaniel. *Cosi fan tutte* has a strong cast led by Angela Denning, Mariana Cioromila, Carol Malone, Alejandro Ramirez and Andreas Schmidt. *Der fliegende Holländer* with Robert Hale and Janis Martin.

**Hamburg**

Opera. The revived *Elektra* in August Everding's production stars Eva Randova, Gwyneth Jones, Linda Plech, Harald Stamm and Ticho Parly, conducted by Gerd Albrecht. *Tosca* has Natalia Troitskaya outstanding in the title role. *Fidelio*, conducted by Nikolaus Harnoncourt has fine interpr[illegible] Josef Protschka and [illegible]

**Frankfurt**

Opera. William Forsythe's ballet *Limb's Theorem* is again offered this week. *Monsieur Beaujolais* and his company play three one act pieces by Jacques Offenbach. *Macbeth*, the second successful opera production by Cesare Lievi, has Rosalind Plowright excellent in the title role.

**Bonn**

Opera. The successful new *Rigoletto* production by Graham Vick, is wonderfully sung by Jean-Philippe Lafon in the title role. *Coppelia*, choreographed by Youris Vamos returns.

**Stuttgart**

Opera. *Die verkaufte Braut* is a Gian Carlo del Monaco production. *Werther* features Yasuko Rozaki, Marilyn Schmiege, Marcela Holzapfel, Neil Wilson and Tero Hannula. *Lohengrin* is sung by Ruth Gross, Eva Randova, Toni Kraemer and Anthony Raffell. *Figaros Hochzeit* rounds off *the week*.

**Munich**

Opera. Nicolaus Lehnhoff's Ring cycle returns with *Die Walküre* and *Siegfried*, both conducted by Wolfgang Sawallisch with star singers Rene Kollo, Hildegard Behrens, Julie Kaufmann, Robert Hale, Sabine Hass, Marjana Lipovsek and Martti Salminen. Francesco Cilea's rarely played *Adriana Lecouvreur* is perfectly cast with Margaret Price, Bruna Baglioni, Neil Shicoff and Claes Ahnsjoe. *Cinderella* has Riccardos Duse's choreography.

**Cologne**

Opera. *La Finta Giardiniera* features David Griffith, Teresa Ringholz, John la Pierre, Janice Hall, Jane Bunnell, Daria Brooks and Reinhard Dorn. *Madame Butterfly* convinces thanks to Hiroko Nishida, brilliant in the title role. *Siegfried*, part of the new Ring cycle in a co-production with the Düsseldorf Opera, produced by Kurt Horres, brings Wagner specialists William Johns (Siegfried), Guenter von Kannen (Alberich), Tone Kruse (Erda) and Deborah Polaski (Brünnhilde) together. *Fidelio* will be conducted by Cologne's music director James Conlon.

**New York**

Metropolitan Opera. The season opens with Franco Zeffirelli's production of *La Bohèe* with Mirella Freni, Placido Domingo and Brian Snexnayder, conducted by Christian Badea along with Zeffirelli's productions of *Don Giovanni* and *Rigoletto* conducted by Guido Ajmone-Marsan with Jerry Hadley in Otto Schenk's production (362 6000).

**Chicago**

Lyric Opera. The company's 38th season opens with Gluck's *Alceste* with Jessye Norman in the title role, *Chris Merritt* as Admete and John Brandstetter as the High Priest in Robert Wilson's production conducted by Gary Bertini. Civic Opera House (332 2244).

**Tokyo**

Moiseyev Ballet. The famous folk dance company from the USSR. Tokyo Bunka Kaikan (Mon) (587 0571).

### THEATRE

**London**

**Jeffrey Bernard is Unwell** (Apollo). James Bolam is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing *public suicide by vodka*. (437 2663).

**Aspects of Love** (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. (839 5972).

**Burn This** (Lyric) Blistering performances from John Malkovich and Juliet Stevenson in Lanford Wilson's play about the mismatch of opposites (437 3686).

**Singer** (Barbican). Anthony Sher in Peter Flannery's modern Jacobean tragedy that reflects a darkly comic view of Britain since the Second World War. (638 8891).

**Shadowlands** (Queen's). Weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes Nigel Hawthorne and Jane Alexander into the awards stakes. (734 1166/439 3849).

**Absurd Person Singular** (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January

**Man of the Moment** (Globe) Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667)

**New York**

**Falsettoland** (Lucille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).

**Gypsy** (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal *life for herself* (246 0102).

**Grand Hotel** (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).

**Cats** (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

**Les Misérables** (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history *and pathos brings to Broadway* lessons in pageantry and drama (239 6200).

**Phantom of the Opera** (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).

**Washington**

**Shogun** (Opera House). The $6m, Broadway-bound musical by novelist James Clavell *is bound to* be compared to Sondheim's *Pacific Overtures* in exploring the origins of Western-Japanese contact. Kennedy Centre (467 4600).

**Playboy of the Western World** (Eisenhower). Abbey Theatre company brings what the Americans want to see to confirm of the view of the Irish as unscrupulous charmers. Ends Oct 21.

**Chicago**

**The Iceman Cometh** (Goodman). The Goodman opens its new season with a revival of vintage O'Neill starring film actor Brian Dennehy. Ends Nov 4 (443 3800).

**Tokyo**

**Kabuki.** Kabuki-za (541 3131). The highlight of the matinee at 11am is *Ise Ondo (The Dance of Death at Ise)*, based on an actual case of mass murder in the 18th century. The star of the 4.30pm performance is 73 year old Gonjuro, who plays his famous role of a street swaggerer in *Edo Sodachi O Matsuri Sashichi*. Excellent earphone guide in English and English-language programme. Ends September 25.

**Phantom of the Opera** (in Japanese). This highly successful production is a carbon copy of the London original, with the added advantage that one can ignore the banal lyrics, since they are in Japanese. Shimbashi Ebujoh Theatre (797 9601)

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Friday September 21 1990

# The control of mergers

ON THE DAY before the European Community's new merger regulation came into force, the British Government provided a striking demonstration of how national and European priorities in merger control can differ. The Trade Secretary, Mr Peter Lilley, referred to the Monopolies Commission three mergers, two of which – had they got to the stage of a firm agreement or bid – would have come within the jurisdiction of the Brussels Commission.

In one of these cases, the joint venture in guided weapons between British Aerospace and Thomson of France, Mr Lilley acted yesterday in order to ensure that an aspect of the deal in which he is particularly interested – the fact that Thomson is state-owned – is examined by the Monopolies Commission. The EC authorities would be unlikely to consider this point because, partly on British insistence, the regulation is predominantly concerned with competition.

In July Mr Lilley announced an important modification to UK mergers policy, prompted mainly by the aggressive takeover activity of French state-owned companies; in future, he said, the degree of state control of the acquiring company would be given close attention in deciding on references to the Monopolies Commission. Since then, three deals of this kind have been referred, two involving French companies and one the Finnish-owned Kemira, which is seeking to buy ICI's fertiliser business; this last transaction would have been referred in any case on competition grounds.

## New element

It is questionable, to say the least, whether the cause of competition in the UK will be advanced by the addition of this new element to a mergers policy which has long been too discretionary and vulnerable to changes in fashion. But the Monopolies Commission does now have the chance of examining thoroughly whether Mr Lilley's concerns are valid or not. Its assessment of the practical significance of state ownership in the three cases now before it is bound to influence future reference decisions.

Was the Government right to pre-empt the Commission in the three references made yesterday? With proceedings now started in the UK, the Commission has no jurisdiction to intervene in these cases even though one of them, the BAe-Thomson deal, quite clearly affects the European defence market as a whole and might seem an obvious early test for the Commission's new procedure. Yet the defence business is also influenced by considerations of national security. There are some cross-frontier deals, of which this might be an example, which ideally should be looked at both from a national and a European point of view, but the EC regulation excludes this "double jeopardy"; either one authority or the other has jurisdiction.

## Different criteria

In future, the British Government will only be able to apply its state ownership provisions to those transactions in which the combined turnover of the two companies falls below the level qualifying for EC jurisdiction. This is hardly logical since in some Continental countries it is the very largest companies which are often owned or controlled by the state. But this is unlikely to be the only respect in which national merger authorities follow somewhat different criteria from those contained in the EC regulation. The differences need not be unduly damaging as long as the thrust of policy at national and Community level is consistently directed towards the promotion of competition.

At both levels the authorities need to pick their targets carefully, recognising that neither size nor dominant market shares are necessarily incompatible with competition, but looking closely at how the players in the relevant market behave and at barriers to entry for new competitors, including non-EC companies. The European Commission must be especially vigilant when the very largest companies, often the national champions of the past, form links with each other. These are ostensibly designed to secure economies of scale, but have the potential for re-creating on a Continental level the cosy conditions they used to enjoy at home.

# The defence of Europe

MR Gianni De Michelis, the Italian Foreign Minister, is an idealist whose many ideas about the future organisation of Europe and the world are too often treated by his partners with amused tolerance. Such an attitude is certainly inappropriate in the case of his latest proposal that the European Community should assume a more important role in the co-ordination of members' defence policies.

In spite of all the obstacles in the way of such a development, the first thing that should be said about Mr De Michelis's plan is that it has been part of the European integration debate since the immediate post-war period. The EC's founding charter, the Treaty of Rome, wisely concentrated on economic co-operation as the first essential step on the road to integration. But, with the exception of latecomers such as Britain, most of the other members have always considered closer political union and greater defence co-operation as equally important objectives.

The overriding importance that Nato and the US have assumed in the defence of Europe until recently put any idea of a purely European defence organisation on ice for 40 years. Some attempt was made through the Western European Union (WEU) to fill the gap. But for the most part it has fulfilled the role of co-ordinating its members' defence policies inadequately, with the exception of moments during the Iran-Iraq war and the present Gulf crisis.

## Reduced Nato role

The overriding argument in favour of a re-examination of the organisation of European defence is that, with the virtual disappearance of the Soviet threat in Europe, Nato seems bound to play a smaller role. Even if the Alliance does not disappear altogether in the long run, it is at least certain that the US presence in Europe will become less significant as the result of budgetary restrictions and the projected agreement on reducing conventional forces in Europe.

The old argument used by Atlanticists that any attempt by western Europe to go its own way in the defence field would upset the Americans and undermine Washington's commitment to the collective defence effort within Nato, has lost much of its validity. Moreover, the latest events in the Gulf have underlined the limits to Nato's willingness, if not strictly legal capacity, to act outside its own prescribed area, while at the same time making plain a painful lack of European co-ordination, particularly by France.

## Greater co-operation

To state that the time is ripe for greater co-ordination of European defence policies admittedly does not imply that this sensitive matter should be handled immediately according to the same procedures as, say, competition policy. Mrs Margaret Thatcher and President François Mitterrand would be the first to point out that important questions of national sovereignty and security are involved which they cannot accept should be subject to supranational decision-making. Another telling argument which opponents to any full EC involvement in defence will employ is that this would make it even more difficult than it already is to open the Community's door to newly-democratic eastern European countries and neutral members of the European Free Trade Association.

A merger of the WEU with the EC, as Mr De Michelis seems to suggest, cannot therefore be considered a realistic project, for the moment at least. In the short term, the aim should be to strengthen defence policy co-ordination within the WEU, while establishing some kind of link between the deliberations in this forum and the EC's political co-operation mechanism.

Such a link, loose as it might be, would at least make it clear what the long-term objective should be. A common foreign policy, as Mr Mitterrand pointed out this week, is a precondition for a common defence policy. But if and when that condition has been fulfilled, it would no longer make sense to exclude defence from the Community's field of action.

**Robert Thomson** on the effects of turmoil in Tokyo's financial markets

# Japan's reservoir loses its depth

If anyone thought that Japan had an endless reservoir of cheap capital to meet its own and the world's needs, he or she must now be thinking again.

In the 1980s, a rapidly-increasing flow of Japanese funds into overseas markets convinced borrowers ranging from the US Treasury to Mr Donald Trump that Japanese banks and financial institutions could always be relied on to stump up money. Far from fearing that Japan might run short of funds, Americans and Europeans were concerned they would be over-run by Japanese buying everything from companies to landmark buildings.

This year's turmoil in Japanese financial markets has changed everything. Any hope that the rest of the world might escape unscathed from the confusion was looking forlorn even before Iraq's invasion of Kuwait increased the general sense of uncertainty.

In the first six months of this year, well before President Saddam Hussein's tanks rolled, the Japanese were net sellers of US and UK securities for the first time in a decade. Total net purchases of foreign securities were $18bn, down from $45.3bn in the same period a year ago, and Japan's Ministry of Finance expects the figure to be lower in the second half.

**Japanese investors have more reason to feel cautious about securities investments than almost anyone else because of the sharp plunge in Japanese stocks and bonds**

The consequences are likely to be far-reaching – not least in the US. Japanese institutions have routinely bought 30 to 40 per cent of US Treasury bonds at auction. Last year, they turned over $2,900bn in US securities. The figure will be substantially less this year.

The crux of the matter is that a combination of rising interest rates and decelerating economic growth, compounded by international political uncertainties, has made investors everywhere more cautious, including in Japan.

Japanese investors have more reason to feel cautious about securities investments than almost anyone else because of the sharp plunge in Japanese stocks and bonds. As one Finance Ministry official put it: "Japanese institutions have had very large losses in their trading on the domestic market and they cannot afford to buy foreign securities."

To make matters worse for overseas borrowers, demand for funds inside Japan has driven up domestic interest rates to the point at which it makes less and less sense for the Japanese to invest abroad. The gap in yield between Japanese and US government bonds has closed from a peak of more than 5 percentage points to less than 1.0 percentage point.

There are good reasons why Japanese interest rates have risen so far. Industrial companies are borrowing because economic growth is strong in comparison with the US and Europe; banks need funds to make good the damage done to their capital reserves by the collapse in the value of their securities holdings.

Most important, the Bank of Japan wants to keep a tight grip on credit to stamp out a resurgence in inflation, itself a consequence of too much easy money supplied in the late 1980s.

As a result, the institutional investors, which piled into foreign securities markets in the last decade, are now finding more attractive opportunities at home, not in the rocky Japanese securities market but in old-fashioned lending.

The 40 per cent fall in the Tokyo stock market this year and turmoil in the bond markets have affected every part of the financial machine that shovels capital into foreign markets:

- Japanese banks, used to having their balance sheets bolstered by unrealised gains from exponentially rising share prices, are now desperately trying to raise capital before this month's close of the fiscal first half, when they are scheduled to release details of their share portfolios. In recent times, the banks have been responsible for about 20 per cent of foreign securities purchases by Japanese.

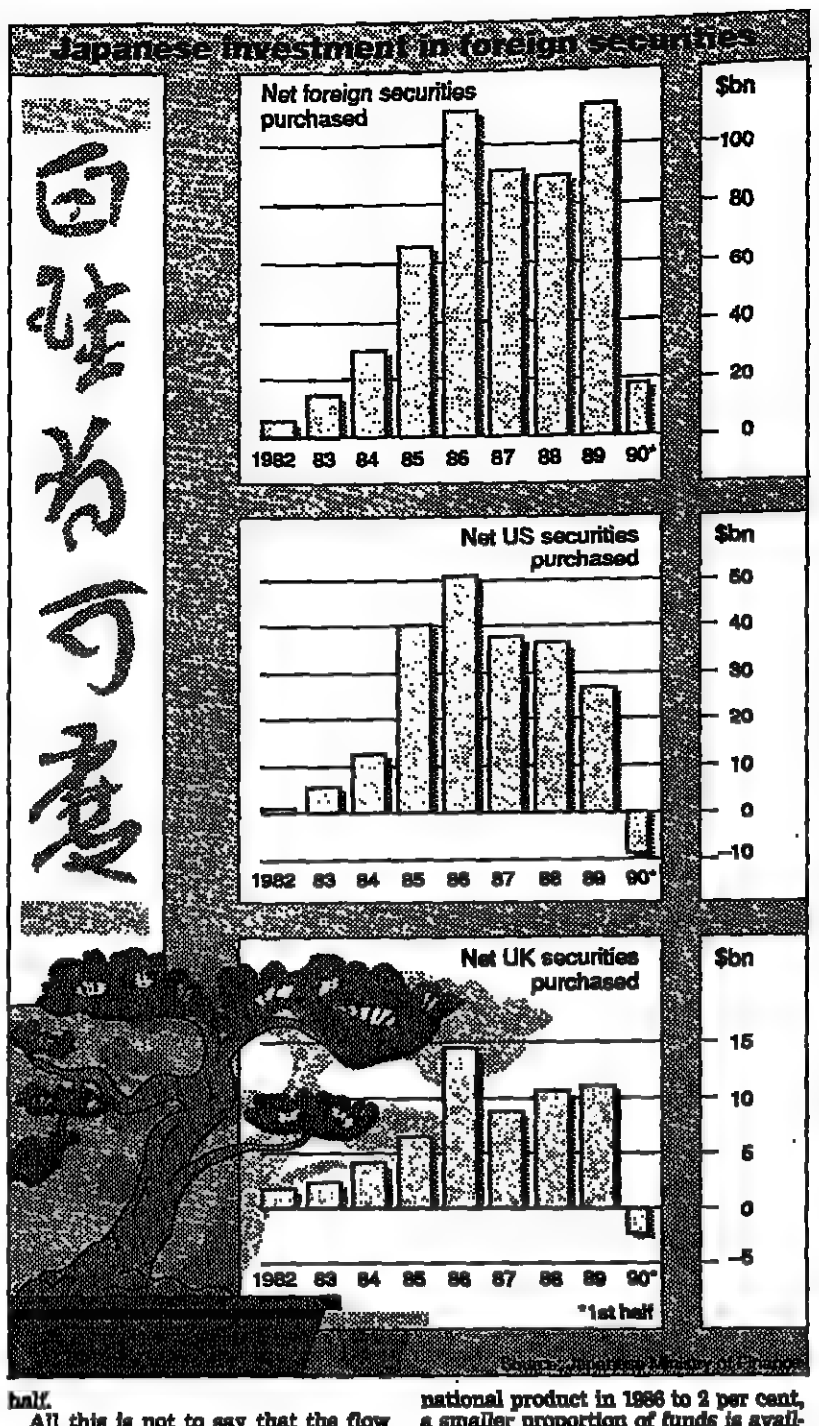
The banks have suddenly found that the stock market is closed to new issues, and that those unrealised stock gains, which amounted to about Y3,000bn for the larger city banks in March, have been reduced by close to 25 per cent since then.

Share holdings had kept the banks comfortably above the 8 per cent capital to assets ratio set by the Bank for International Settlements. Now, most leading Japanese banks – while still fundamentally sound – are below that standard, and are seeking subordinated loans to improve their position.

- Life and non-life insurers, who buy about a half of the foreign securities purchased by Japanese institutions, are also suffering from losses on the stock exchange and instead of searching for foreign clients, are now having to deal with a rush of requests for money from Japanese banks.

Mr Kenji Ueda, chief manager of investment capital at Tokio Marine and Fire Insurance, the largest non-life insurer, said that some corporate clients are looking for loans for the first time in a decade, while "about 20 commercial banks have come in here in the past few weeks".

- The Big Four securities companies, Nomura, Daiwa, Nikko and Yamaichi, deal in foreign securities but keep relatively few stocks on their own accounts. They could be forced to reduce staff or review their foreign operations unless the market improves, as they have just revised downwards by 50 to 70 per cent their pre-tax profit predictions for the first half.




All this is not to say that the flow of Japanese money overseas will dry up altogether. As long as Japan earns trade surpluses, it will have capital available for investment abroad. But with the current account surplus down from 4.3 per cent of gross national product in 1986 to 2 per cent, a smaller proportion of funds is available for investment abroad, and Japanese investors are likely to be much more selective. There will continue to be compelling reasons for direct investment in overseas factories and industrial facilities. However, the flow of indirect investment, carried out through the financial markets, may become more erratic.

Foreign borrowers will find Japanese money more difficult to secure: blue-chip borrowers, from the US Treasury down, will get what they need – but will have to pay more for it; their less well-capitalised brethren may go to the wall.

An executive at one of the country's largest fund management companies, also a substantial purchaser of foreign securities, said that Japanese fund managers have in the past been unsophisticated in their foreign investments, but that the present climate will teach them to seek better value for money. "We have too many dollar-denominated investments," he said.

In fact, the pattern is already changing. Fund managers say that Japanese institutions will buy fewer Treasury bonds, particularly now that fears are growing in Japan of a US recession and there are expectations that the dollar will continue to decline.

Washington has already made Tokyo aware of its concerns about the high level of Japanese interest rates. A sudden flight of Japanese institutional money could indeed become a serious political problem.

Japanese money has begun to search out better returns abroad. Continental Europe is a principal target, with the Japanese institutions attracted by European economic integration. Japanese trading of West German securities doubled in the first half and trading in French securities was more than four times higher.

To some extent, Japanese institutions have been selling foreign securities in order to window-dress their accounts before the end of the month. But Finance Ministry officials are worried that this trend could be repeated on a far grander scale next March before the closing of the year's accounts.

"We have noticed the trend to sell foreign securities this month. We are very afraid about what could happen in the US next March. We think there could be very big selling in the US," a senior Finance Ministry official said. The ministry is concerned that this selling could seriously disrupt a US economy viewed by many government officials in Tokyo as close to recession.

The Japanese economy remains strong, with expectations of over 4 per cent real GNP growth this year, in spite of the higher oil prices, and Japanese industry is thriving on strong domestic demand. But most companies have also had the easy capital option of equity issues cancelled by the weakness of the stockmarket, and must find new sources of funds.

Japanese companies' direct foreign investment in manufacturing facilities and natural resources has continued this year, though the Ministry of Finance presumes that the figure has peaked at $26.5bn in the first half, up from $23.6bn in the second half last year, and will fall in the second half this year.

With the Kuwait crisis unresolved, the potential for another sharp fall on Japanese securities markets haunts the financial institutions. Capital flows have already been distorted by the slump this year. Another plunge would further encourage the institutions to take foreign profits, if available, and bring money home to bolster the books.

# Fear of slump gathers pace

**ECONOMISTS in Tokyo are increasingly fearful of a slump in private sector capital spending in the wake of rapid deterioration in Japan's capital markets. Yesterday, the Nikkei average of 225 leading shares on the Tokyo Stock Exchange hit a new low for the year of 23,602.98, down 123.19 points.**

**In keeping with their long-term orientation, Japanese companies try to maintain their investment programmes at a consistent level regardless of changes in the economic cycle, and high capital spending has been one of the driving forces behind Japan's four-year economic boom.**

**According to a Japan Development Bank survey published yesterday, capital spending remains strong, with large industrial companies reported to be planning to raise capital spending in the current fiscal year by 17 per cent.**

**But some bank officials and other economists fear that the data for the survey, gathered late last month, may already be out of date. They suspect that the much higher costs of borrowing or raising equity capital than prevailed a few months ago are making many companies reconsider their investment plans, especially as the US economy appears to be weakening.**

**"I think capital spending will fall surprisingly quickly, and you will start to see it in the fourth quarter," Mr Ken Courtis, an economist with Deutsche Bank in Tokyo, said yesterday.**

**A leading fund manager said that other companies have been shocked to realise the state of the equity portfolios they built up in recent years with surplus funds. With average stock prices down 40 per cent this year, many may prefer to cut their spending plans rather than realise heavy losses on their equities to fund them.**

**Ian Rodger**

## Dirty cash for washing

■ More than half the subscribers to Money Laundering Alert, a highly-specialised newsletter one year old, are turning out to be to be financial institutions rather than hoodlums and shysters. And most of the rest are lawyers and government departments.

Charles Intriago, an American lawyer who invented and publishes the newsletter, is still puzzling out the message to be read into that readership profile.

The Miami-based monthly is proving to be one of the most original publishing ideas for years. Initial police fears that it would concentrate on sensational stories about the Medelin drug cartel have proved unfounded.

Most of the newsletter tends to be taken up on developments and legislation to outlaw money laundering. One of the recent issues included a guide, giving translations of the phrase "money laundering" in different languages.

The Russians call it "Otmyvaniye deneg", the Japanese "Shikin no sentaku", the Swedes "Att tvatta pengar", and the Spanish "Lavado de dinero".

Among the subscribers to the newsletter are Yves St. Laurent, the Paris fashion house, Western Union, and American Express.

Several British institutions find it required reading. You will not be surprised to learn that one is the Bank of England, and another is Scotland Yard.

## Dropped catch

■ A London manufacturing company has sacked a recently hired marketing manager.

He had been recommended by a headhunter, and interviewed separately by the company's personnel director, the chief executive, the company secretary, and the marketing director, before being taken on.

He quickly proved incompetent. So the four of them called in the headhunter and held a postmortem on what had led them to hire the man.

It turned out that in each of the interviews he had spent most of the time talking expertly and wittily about cricket.

Meanwhile, John Major's love of cricket is beginning to verge on the obsessional.

The Chancellor took time off from the Commonwealth finance ministers' meeting in Port of Spain, Trinidad, to visit the local cricket ground – which like that of his own club, Surrey, is called The Oval.

Nobody was playing. But that didn't worry Major. He pointed out that most people visit cathedrals when nobody is preaching.

# OBSERVER

## On his feet

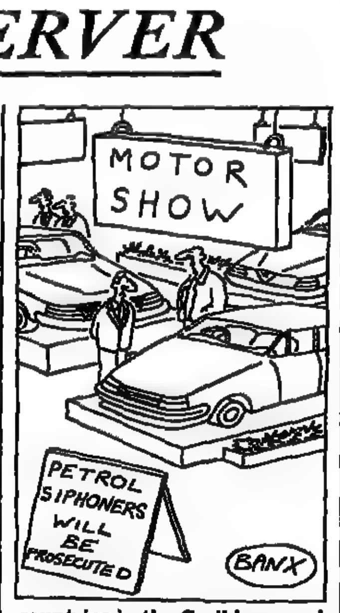
■ Trinidad is using the Commonwealth finance ministers' conference to demonstrate to the world that it has successfully put the recent coup attempt behind it.

Any embarrassment that delegates might have felt about talking of the coup was elegantly defused by the prime minister, Arthur Robinson, in his speech to the meeting.

Robinson, who was shot in both legs during the disturbance, won a prize for candour when he remarked that if his speech appeared too long it was, "because I want to assure you that I still stand firmly on my own two feet."

The successful quelling of the uprising by Trinidad's democratically-elected government has won considerable admiration among other Commonwealth countries.

Trinidad itself looks to be facing a rather happier future. It is already one of the richest




countries in the Caribbean and as a minor oil exporter is one of the few Commonwealth countries which will gain from the oil price rise.

By contrast, the future for Nauru – a tiny dot of a country in the Pacific Ocean – is bleak indeed. It is threatened with economic oblivion in four or five years time when its phosphate deposits run out. That will leave no livelihood for the 5,500 Nauruans who inhabit the island's 21 square kilometres.

At one point the Nauruans seem to have contemplated abandoning their island and moving elsewhere. Kinza Clodumar, the Nauruan finance minister, said, however, that the people had rejected this option and were determined to maintain their traditions and way of life.

## Quiet word

■ The ability of Margaret Thatcher to cast a special spell over the Japanese authorities in her role as "the iron lady" remains as strong as ever.

The latest indication of her influence comes from the troubles the Japanese brass hats have been suffering this summer as they have tried to square the new realities in East-West relations with their cherished notion of the Soviet Union as a potential threat.

That notion had underpinned their demands for ever-rising budgets for a decade. They did not know what to do without it.

According to diplomatic sources in Tokyo, the hand wringing came to an abrupt end when the authors of the annual defence white paper presented their thoughts to Toshiki Kaifu, the prime minister.

Fresh from the Houston summit of leading industrialised nations, which had also abandoned the idea of a Soviet threat, Kaifu insisted that the reference be deleted. "The Soviet threat is over," he said. "Margaret told me so."

## Token force

■ At least one Japanese cannot be accused of dragging his feet in trying to get to grips with President Saddam Hussein.

Kanji Inoki, a professional wrestler turned politician, has just left Japan for Iraq to offer himself as a hostage in return for one of the 141 Japanese held captive.

Inoki, aged 47, a member of the upper house of the Japanese Diet and leader of the Sports and Peace Party, hopes to meet President Hussein face-to-face.

But it is not clear whether Saddam will want to meet Inoki – who weighs 105 kilograms and once went into the ring with the boxer Mohammed Ali for a bout which was declared a draw.

## News leak

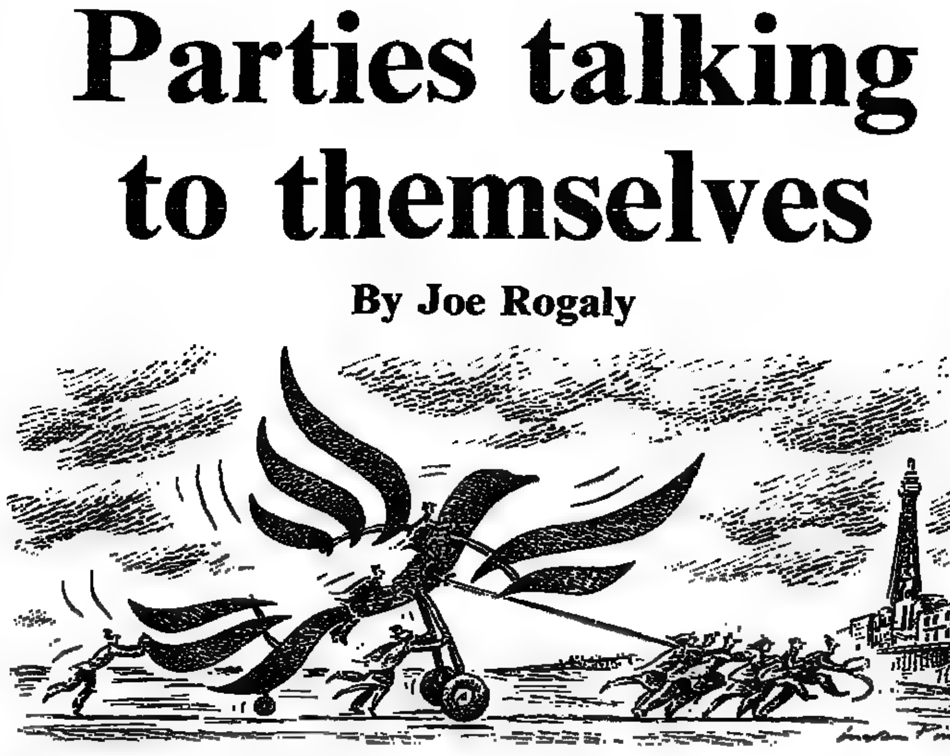
■ Spotted yesterday at London Underground's Bond Street station: "To all Customers. The smell behind this door is stagnant water NOT gas."

Well that's all right then.

POLITICS TODAY

# Parties talking to themselves

By Joe Rogaly



It is very difficult to know how to start this sentence, since if I stick to my original intention and use the three opening words "Mr Paddy Ashdown" the chances are that most people will not finish it, some on the ground that they do not know who this person is and see no reason why they should, and others on the ground that not only do they know who I mean but that in addition that knowledge is in itself sufficient information on which to base a decision to sit this one out, using the time thus gained for yet another rumination on when the Americans will finally get their armour together and go in and finish the job, by which is meant, in most of our darkest thoughts, leaving Iraq a smoking ruin and allowing the markets to rise to their pre-invasion levels. You will quickly grasp the point. Sentences beginning "Saddam Hussein" seem relevant to today's concerns. Those beginning "Mr Paddy Ashdown" do not.

Yet there is optimism, not to say foolhardiness, in us all. Nursing a fancy that the leader of the Liberal Democrats might be relevant to *tomorrow's* concerns, I bravely went to see him at his party conference in Blackpool, a seaside resort that you reach by nodding off on one of British Rail's time machines to somewhere around 1945. We took breakfast. I found Mr Ashdown extremely jolly; his ideas mostly congenial. He is an autodidact, and apparently open to novel propositions, such as when I suggested, as I eyed the mushrooms sagging into the butter-soaked toast before me, that his party's notion of social "entitlements" amounted to "entitlements to taxpayers' money."

He also gives every appearance of being a realist. He needs to be. At 8 per cent or less in the opinion polls, the Liberal Democrats stand just about where they did at the time of last year's conference, having apparently gained next to nothing from the demise of Dr David Owen's rump Social Democratic Party. Mr Ashquith is not downhearted. He has not yet begun to address himself to the wider public, says he. It will take a decade to win power, he suggested yesterday. He is still in the workshop, knocking his machine into shape; he has just completed the spray-painting of its new logo. Judged by this standard, he is not doing badly. The Liberal Democrats, who were close to bankruptcy a year ago, now boast a manageable state of debt. They have by and large discarded the woolly image of previous years. There is a greater sense of discipline. The Green Party, such an apparent threat a year ago, is now so low in the polls as to make Mr Eightdown seem like the leader of a large party.

While some of the fuzzier Conservatives see themselves as the party of Edmund Burke, and Labour is struggling to establish itself as no longer the party of Karl Marx, which of course most of it never was, the Liberal Democrats proclaim their articles of faith to be traceable back to John Stuart Mill. Mr Charles Kennedy, their new President, quite specifically used Mill as his text in a strong speech on Tuesday. "We are a party which, unlike Labour, combines concern for the individual with institutional reform," he said. "That is the nub of the distinction."

On this basis the Liberal Democrats, who seem at last to have settled on a name, have produced a neat checklist of four recognisable programmes. The first is nothing special: like the other parties, they favour more, and better, education. The other three set them apart. On the environment they are the greenest; on Europe the most European; on electoral, and indeed constitutional, reform they are uniquely in advance of anything else on offer. The four Es constitute a package that most voters may never know exists, but one that I suspect would appeal to a surprisingly high proportion of them if they did. It should be taken seriously.

Wait a minute, I will be told. Are these fellows not socialists in disguise? Is this not a bunch of soppy Liberals plus the old right wing of the 1960s Labour Party under a new name? Mr Padalong is, in fact, busy converting his people to a different set of principles, rather like those once espoused by Dr Owen at the old SDP. The leader's speech yesterday

## The Liberal Democrats now have more discipline

morning was aimed more at his own Liberal Democrats than at the electorate at large. We have to be a free-market party, said he. We have to put the long love affair with the corporate state behind us, he intimated. "Mrs Thatcher has liberalised not too much, but too little," he said; his party would break up the privatised monopolies in the interests of competition and the consumer. In his mind, as exposed over breakfast, he sees the Liberal Democrats becoming the British equivalent of Germany's Free Democrats.

I hardly need spell out the difficulty. The Free Democrats have a place in most Bonn governments because proportional representation gives them seats in accordance with their rather low national vote, and they therefore become indispensable coalition partners. Like Mr Ashdown, I believe strongly in PR, and indeed salute most of the rest of his constitutional (and environmental) package – but for us to get PR for elections to the Commons in Britain the Liberal Democrats would have to become the pivotal force in a hung Parliament. The sad truth is that our first-past-the-post system usually produces an overall majority for one party or another. Heads, Labour; tails, the Tories. When the penny stands on edge, you have a hung Parliament. If we do get one, it will become safe to start articles with the words "Mr Paddy Ashdown."

* * *

The Conservatives are also talking to themselves. The question before them this week is momentous. Do they enter the next election with a manifesto promising an assault on the Welfare State? It would be a silly question were it not the nub of a pamphlet by the "No Turning Back" group of Tory MPs. It would not be a worthwhile question if an identical pamphlet had been published by a less-influential body, since it is not so much poorly argued as not argued at all. It is merely declamatory.

These are, however, declamations likely to be heard if not necessarily all adopted by the Prime Minister, Mrs Margaret Thatcher. Many members of the NTB group are in junior positions in the Government and one of them, Mr Peter Lilley, recently joined the Cabinet as Trade and Industry Secretary. Those I have met usually turn out to be amusing company; true believers but not, except perhaps in the case of Mr Michael Portillo, devoid of a sense of humour. The latter does, after all, have the poll tax portfolio.

Not all of the group's unsubstantiated propositions are outrageous. They favour road pricing for motorways, which puts them ahead of the Government and the Labour Party, but behind the Liberal Democrats. They push privatisation of British Rail; did I not hear Mr Ashdown saying something very similar yesterday?

Again, their xenophobia and their Burkeian approach to constitutional reform are matters of taste, or in my case, distaste. Their anguished wrestling with modern society is, however, peculiar. It is, for example, odd that a group that desires the minimum role for the state should pronounce that "any policy – any tax – should be judged by its impact on the family." Presumably this includes the poll tax. I sympathise with their plan to chase fathers for child maintenance payments, but a more thought-through paper would have discovered, and acknowledged, that this will not save much taxpayers' money since there is nothing to deduct from an unemployed or very low-earning absconding father, while a high proportion of the rest do pay up. As to making divorces harder to obtain, what does this do to extend the freedom of the individual?

The core of their proposals, they say, has to do with widening the use of private schools and private health care, while trying to "wean people off welfare." They advocate education vouchers; so, in effect, does Mr Ashdown with his entitlements, but he would not accept their use by affluent parents for topping-up school fees. They want an insurance-based welfare system "run on a private agency system." The thrust of the paper is that these notions will seem no more shocking when they have been implemented than portable pensions or privately-bought council housing do now. I would consider each item, if there was anything to consider, but you cannot make much headway with lines that could have been jotted down on a beermat in the Commons bar. The Labour Party is understandably delighted.

Soviet economic restructuring

# Living in a world where the Plan does not rule all

By Alexander Kennaway

Soviet politicians, academics and economists are indulging in an old Russian pastime – philosophising about things outside their experience. While they debate ingenious variations on how to privatise and turn a command economy into a market economy, their real world of food, distribution and manufacture is collapsing.

No one has much understanding of how to begin to put it right. They have lived through 70 years of coping with a system based on theory – albeit a bad one – but even before the revolution Russia was not good at manufacturing. The best factories were managed by foreigners.

The real world of Soviet managers has to cope with satisfying or pretending to satisfy the Plan and the ministerial and party bureaucrats. A Soviet factory manager is often denied market information; his orders come down from his ministry. The ministry officials talk to officials in other ministries who tell their juniors in the shops what they will get. The officials are the ones who travel abroad, look at foreign equipment they rarely understand, buy consumer goods and, on their return, pass some inadequate information to the factory engineers who try to compete with German or Japanese equipment.

Soviet engineering factories look like British ones before 1914; the tired manager lives from day to day, trying to cope with the problems that he knows will be repeated tomorrow. He has little idea or time to conceive the ideal factory and to worktowards it.

Innovation in products and processes goes through a cumbersome chain starting with Academy of Science research labs doing what they think is "pure" science and descending through sector applied research institutes to design offices and the factory. There is little feedback passed up the chain and next to none is forthcoming from the customer or user. Innovation interferes with the Plan and the bonuses of the directors, staff and workforce who all resist it.

The Plan prescribes output before quality, so it is a rare Soviet product that sells on the world market unless it has been made in a factory supplied from abroad and for which the design owes a lot to foreigners. Because the internal Soviet market is a sellers' market there is no incentive to improve quality.

Everybody in the Soviet Union is now pessimistic. They lack faith in themselves and are waiting – as so often in the past – for a new Tsar to make all the improvements.

So what is to be done?

Immediate privatisation would lead to ruin and result in total disenchantment with a programme widely-publicised as the Soviet Union's last chance. The thing has to be taken at a steady pace.

Relationships – especially at local and regional levels – should be established between concerns which would supply goods and services to one another. These enterprises must ignore directives from the top; the ministries perform

## Soviet enterprises must take on their own research and development programmes

no useful function except to keep the bureaucrats in privileged jobs.

Competitive supply to more than one user must be organised with as short a distance between producers and consumers as possible. Then there will be a chance of raising quality and service and of finding out the true costs of production and distribution.

Enterprises that have a chance of responding to new methods must be encouraged. Ideally, these should have very few suppliers so that they can be influenced by their customers. They should be located in places where there is little alternative work so that workers cannot simply go elsewhere but will have to respond to leadership or be unemployed.

Such companies should employ good foreign consultants whose fees would be paid in hard currency. Only after the consultants have reported to the management of the Soviet concerns should any foreign money be made available to the Soviet venture for purchases of hardware. Material incentives must be given to the outstanding performers and so valuable hard currency will have to be used to stock factory shops with foreign consumer goods. Incremental success will also give them all confidence in their own ability to make improvements even if it takes some years to catch up with the rest of the industrialised world.

Foreigners must also take part in new ventures. Studies show that high-quality domestically-made Soviet products will sell at home and abroad. A start must be made on improving design. Simply increasing output will not suffice.

Distribution and service industries must be given prestige; at present, only the so-called producers are respected. Distribution and communications need vast improvement.

After the manner of their western counterparts, Soviet factories must take on the research and development tasks that are now carried out in separate research labs of the Academy of Sciences and in the technical institutes and design offices. Factories must have their own specialist units for each of their businesses (for example, trucks and refrigerators). These should be staffed with competent people in marketing as well as technical development and production management and engineering. Firms should practise the leadership and co-operation encapsulated in the Japanese term "simultaneous engineering."

These imperatives are essential prerequisites for privatisation. No one would buy bankrupt factories, nor trust their investment to the current generation of Soviet managers and work-force. The essence of a market economy is competition and intimate relationships between working partners in the chain from raw materials to satisfied customer. Good performers do well, bad ones fail. Better the weak should go down than that the whole economy should founder.

*The author is a professor of engineering at Imperial College, London.*

# LETTERS

## New world order must also be different

*From Mr Gerry Pocock.*

Sir, Your editorial comment ("Steps to a new world order," September 17) is timely. This is so both in the sense that the previous situation of superpower concentration has come to an end and that there is an urgent need for such an order.

But it needs to be more than new – it needs to be different. It needs to embody three really new concepts which are not much in evidence in the Gulf crisis.

One relates to the rule or threatened rule of force. Reports of huge new arms deals may indeed bring relief to defence industries threatened by post-cold war disarmament (two recent FT headlines referred to a "peace scare" and said "threat of war improves UK defence companies' outlook"). But I do not see how a new arms race in the Middle East will contribute to a new world order that is either desirable or relevant.

The recourse to massive military build-up has done nothing to resolve the complex political factors involved in the Gulf situation. It has already made them more intractable. A new world order will only make sense if it is based on political means and disarmament.

Disarmament and rejection of military options is also an essential condition if the United Nations is to become an arbiter and peacekeeper. New arms build-ups and the regular misuse of Article 51 by "big powers" (Falklands, Libya, Saudi Arabia) make a mockery of talks of a strengthened UN.

Finally, one lesson from the Gulf is the need for a much more carefully considered approach to countering aggression, making sanctions work etc. The future does not belong to the "great powers" alone. Much greater weight has to be given to the views and needs of the Third World and smaller countries. The suggestion that Germany become a permanent member of the Security Council is both inappropriate and irrelevant.

Far from encouraging and feeding a new arms build-up, which will in any case not be confined to the Middle East, the big powers should commit themselves to a faster pace of disarmament and concerted action to restrict the arms trade.

Gerry Pocock,
*41 Lyndhurst Drive, E10*

## A not-so-golden age recalled

*From Mr James McFarlane.*

Sir, Few of us can rival Mr Tolley's 60 years in manufacturing (Letters, September 8). I had to make do with only 40. Still, it is long enough to learn a few things. One of them is that employees like to be treated fairly.

They do not think it fair that they should be asked to settle for pay increases that do not match at least the retail price index when, as Mr Tolley says, seniors in their own organisation justify very large pay increases on the grounds of the company's success or, alternatively, the global management market that is crying out, it seems, for their talents.

To these arguments employees reply that, if success be the justification, they would like to share in it. Alternatively, if the global market is the justification and managements know of some better 'ole, then let them go to it. Comparability, the employees have been told is not admissible as evidence. They therefore think it strange that comparability can be the key to management salary increases but not to theirs. So far I am on common ground with Mr Tolley.

Where I differ from him is in looking on the period up to 1975 as some sort of golden age. I think he does much less than justice to the Government's achievements in freeing itself and us from the thrall of the trade unions. Mr Tolley surely cannot have forgotten the impossible position of managements when the unions were protected from the consequences of their foolishness by all-embracing legal immunities.

Perhaps, however, the warmth of his retrospection relates to the wider recognition that was then given to the pivotal role of manufacturing in the economy. True it is that the Government has been infatuated with the merits of the service sector, few parts of which have so far been exposed to the rigours of international competition. As and when they have become so exposed, they have proved just as vulnerable as manufacturing: hence the rapid dwindling of the surplus on invisibles.

James McFarlane,
*24 Broad Street,*
*Ludlow, Shropshire*

## MBOs for the long term

*From Mr Derek Sach.*

Sir, The management buy-out (MBO) at Hoare Govett may be a special case, but surely not for the reason mentioned by Lex (September 12): "Buy-outs are supposed to end in a profitable exit etc."

Our venture capital group now has experience of investing in a total of 1,000 MBOs and most of them remain as investments in our portfolio. Others have chosen to sell out, or to float, but they are the minority.

Perceptions of MBOs may have been distorted by a relatively small number of high-profile buy-outs designed for a quick exit, but a much more typical scenario (at least in the UK) is that the management team members enjoy their new role as entrepreneurs and intend to continue to develop their companies long-term.

Derek Sach,
*Managing Director,*
*UK investment,*
*3i Group,*
*91 Waterloo Road, SE1*

## Figures for which there is no use

*From Mr David Damant.*

Sir, The difficulty with Mr Locke's advocacy of constant purchasing power (Letters, September 14) is that he will arrive at figures for which there is no use.

It is the aim of the user to forecast cash flows – their size, timing and certainty – and for this he needs up-to-date valuations of assets and a correct mapping of the flows of funds from cash to assets and from assets to cash. For all these purposes each asset must be valued at its current cost. Nothing can be done with the figures adjusted for the average level of inflation.

Any calculation of the change in the valuation of shareholders' equity in real terms will certainly not be correct unless the company's assets are revalued by specific indices. After that, Mr Locke can apply his general inflation adjustment to the shareholders' equity if he wishes, but it is very difficult to see what use there is for the information.

The figure which results is not the change in shareholder wealth in any tangible sense (that is dependent on future prospects) and it is certainly not the income for the year. If Mr Locke thinks it is, let him sell the company on that basis.

David Damant,
*Managing Director,*
*Paribas Asset Management,*
*68 Lombard Street, EC3*

## The RICS Red Book and greater openness by valuers

*From Mr Dennis Marler.*

Sir, The Royal Institution of Chartered Surveyors (RICS) publishes guidance notes on the valuation of assets, now commonly known as the Red Book, and a new third edition has been published recently.

The Red Book includes the procedures to be observed and the practices to be adopted when carrying out valuations for incorporation in Company Accounts, for flotations and for takeovers and mergers. It has become the recognised handbook for the valuation profession and it provides necessary protection for the investing public. It is also a matter of considerable importance to companies like my own.

The RICS is now taking steps to enforce greater openness by valuers by putting to its members a rule change. The new rule will require valuers to state in their valuation certificates whether or not they have complied with the standards laid down in the Red Book and if not to set out clearly the reasons why.

I very much hope that this move will be welcomed by the City and overwhelmingly supported by RICS members at the extraordinary general meeting on October 3.

Dennis Marler,
*Chairman,*
*Capital and Counties,*
*St Andrew's House,*
*40 Broadway, SW1*

FINANCIAL TIMES
Friday September 21 1990



COMMISSION DIVIDED OVER FARM SUPPORT REFORMS

# MacSharry's risky balancing act

**By Tim Dickson in Brussels**

"HE HAS a real tightrope to walk now", a senior Brussels official said yesterday of Mr Raymond MacSharry, the European Community's Agriculture Commissioner

The observation was one of the few safe comments to make following Wednesday's bad-tempered meeting of the European Commission, which ended unexpectedly in mid-evening without any agreement on a revised EC proposal for international farm reform.

Differences of opinion within the Commission are weekly, if not daily, occurrences but this week's failure to find a consensus is more than just a routine tiff.

Contrary to previous indications from his advisers, Mr MacSharry was unable to muster sufficient votes from colleagues within the "house" for his already publicised plan to offer the US and other participants in the Gatt trade talks an overall 30 per cent cut in farm supports over a 10-year period starting in 1986 (a formula which would effectively mean a 10-20 per cent cut in most sectors between now and the middle of the decade).

Less than 2¼ months before the end of the four-year Uruguay Round, the pressures on the EC in general and on Mr MacSharry in particular to make more substantial concessions are beginning to mount.

Alan Harper

Man on a tightrope: Raymond MacSharry ran out of votes

Washington has long called for a more ambitious approach but the difference this week was that the EC's simmering internal differences on the pace of reform have suddenly burst into the open.

According to those close to the meeting, Mr Frans Andriessen and Mr Martin Bangemann, the EC's External Relations and Internal Market Commissioners, were insistent that the EC should be prepared to make a bigger gesture, notably on the issue of export "refunds".

These subsidies are paid to encourage the export of EC surpluses and are supposed to bridge the gap between high guaranteed EC prices and the lower prices generally obtainable on world markets.

Export subsidies have been consistently attacked by the Americans in recent months, but Mr MacSharry has shown no intention of changing his view that they will come down automatically in line with internal farm supports and should not be singled out for special attention.

He stuck to this line on Wednesday although he was apparently prepared to go along with a "compromise" suggested by Sir Leon Brittan, EC Commissioner for Competition and Financial Institutions, which would have provided some vague indication of flexibility on the export refunds.

Mr MacSharry is seen by many as a major stumbling block to those wanting a rapid rollback of farm support.

But, notwithstanding his determination to defend the principles of the Common Agricultural Policy and fierce political pressures from his native Ireland, he is conscious of the need to negotiate and of his duty to take a broader view.

The difficulty for him is how and when to try to reconcile these conflicting demands.The question for others is whether he can.

He is far from being abandoned within the Commission – despite the ambiguous support of the President, Mr Jacques Delors in recent days – but the balancing act which will continue with an EC Farm Council and another Commission meeting next week is getting harder.

# Bulgaria fails to reach agreement on debt

**By Judy Dempsey in London**

BULGARIAN authorities and a consortium of western bankers failed to reach agreement on how the country's debt should be rescheduled in talks held in London yesterday.

But Bulgaria's Foreign Trade Bank, (BFTB) which holds 90 per cent of the country's $10.6bn external debt, managed to gain a 90-day breathing space from its western creditors.

The second round of talks held this week between the BFTB, headed by Mr Vesselin Rankow and a consortium of western banks led by Deutsche Bank, had hoped to agree on a timetable for the resumption of repayments.

Bulgaria's Foreign Trade Bank suspended all payments on principal last March. It said it would repay $660m interest due this year but froze these payments last June.

The bank was due to repay $3.6bn in principal this year, $1.8bn for 1991 and $800m for 1992

A western banker said yesterday the talks had led nowhere: "We wanted to insist that the Bulgarians at least pay some interest. But now they are paying neither principal nor interest. They seem to have no idea what they are doing. We had to agree that the BFTB pay no principal or interest on the debt for 90 days from September 30."

There are several reasons why the BFTB is having difficulties in repaying the debt.

Mr Todor Zhivkov, the former Communist Party leader, borrowed too much and too fast during the late 1980s. The task of meeting these debts has fallen to the Bulgarian (former socialist) Party which won a comfortable majority in last June's first free elections.

But since June the caretaker government, led by Mr Andrei Lukanov, has proved unable to put together a package of economic and social reforms designed to stem the fall in industrial productivity, improve efficiency and attract foreign investment.

This is because he cannot persuade the Union of Democratic Forces, the opposition, into forming a government of national consensus, which Mr Lukanov's deems crucial in pushing through any austerity measures.

The stalemate is exacerbating the economic crisis. Earlier this week, the authorities banned the export of all food, dairy and milk products in an effort to alleviate food shortages.

The Gulf crisis is compounding the economic crisis. Bulgaria had hoped to receive energy from Iraq to offset the shortfalls of recent Soviet cutbacks, and in lieu of Iraqi's outstanding payments which exceed $1.3bn.

Western bankers say the Gulf crisis, likely to cause energy shortages for Bulgaria this coming winter, is not the main reason for Bulgaria's inability to address the debt issue.

"The Bulgarian bankers have no power. The caretaker government is almost paralysed. We will see if anything has changed by December when we meet again."

Debt relief initiative, Page 7

# ANC to meet Buthelezi at 'summit' talks

**By Patti Waldmeir and Philip Gawith in Johannesburg**

THE African National Congress (ANC) is to meet Chief Mangosuthu Buthelezi, leader of its main black political rival, the Zulu Inkatha Freedom Party, in a dramatic move aimed at ending violence which has left more than 750 people dead in South Africa in the past five weeks.

In a statement issued at the end of a three-day meeting of the ANC national executive, its highest policy-making body, the organisation said it would convene a summit of homeland leaders including Chief Buthelezi. The aim of the meeting was to devise a joint strategy to end the violence.

The statement did not specify the composition of the ANC delegation to the summit, but it seems likely that Mr Nelson Mandela, ANC deputy president, will assume his normal place at the head of the delegation. Chief Buthelezi has long sought a meeting with Mr Mandela. The ANC leader's refusal to meet him has been prompted by fierce opposition from the rest of the ANC leadership.

The move follows the disclosure yesterday that officials of the two organisations had this week held their highest-level meeting since 1979.

Officials from the two groups met in Durban to discuss the violence and local ANC-Inkatha peace initiatives under way in parts of Natal. The statement said discussions had been "exploratory in nature."

Mr Mandela said yesterday the organisation would resist demands from its supporters for weapons to use in self-defence – although it understood people's desire to defend themselves and considered such demands reasonable.

Mr Mandela's statement that the ANC would resist demands for weapons, delivered at a funeral for several recent victims in Soweto, was seen as an indication of the outcome of a three-day meeting of the ANC national executive, called to determine a response to government security measures implemented to curb violence.

Earlier, in a BBC interview, Mr Mandela appeared less conciliatory, saying that the series of measures, code-named Operation Iron Fist, announced by the Government in an effort to clamp down on violence, would restrict political freedom without doing enough to end the bloodshed.

"I cannot confirm that we will stay committed to the peace process if the perception becomes firmly entrenched that the Government has no intention whatsoever of settling this matter," he said.

The measures include imposing township curfews and erecting razor wire barriers to keep warring factions apart, as well as mounting machine guns on police patrol vehicles.

Police yesterday said they were hunting both whites and blacks for a multiple killing, admitting for the first time that whites had taken part in some of the recent violence. A police official said a minivan carrying whites and blacks drove through central Johannesburg on September 12 shooting at pedestrians, killing three people and wounding eight.

The shooting was one of a spate of apparently motiveless attacks on pedestrians and commuters in Johannesburg and its black townships, described by President F.W. de Klerk as a disturbing new feature arising from black factional warfare.

Pretoria accepts changes to trade union laws, Page 11

# Polly Peck chief quizzed

Continued from Page 1

which sent its report to the SFO and the Department of Trade and Industry.

The exchange is also understood to have passed over information collected by its insider dealing group over a long period during which it studied large transactions in Polly Peck shares. The SFO's questioning yesterday is believed to have focused on dealings around the time of the abortive bid approach.

Polly Peck has had a volatile history since Mr Nadir, a Turkish Cypriot, took control of the London clothing company in 1980. Turkey and northern Cyprus were the main focus of activities in the early 1980s, when the company moved into citrus, packaging and mineral water.

Investment sentiment has always been sharply divided about Polly Peck. It was a favourite of speculators in the early 1980s, but the first bubble was punctured in 1983 by Nicosia's accusation that Polly Peck had assisted the seizure of Greek Cypriot property in northern Cyprus.

That caused the share price to fall by 28 per cent in a single day, the largest such decline until yesterday. Polly Peck recovered its momentum, however, and – with the exception of a few hiccups like profits sharply below forecasts in 1985 – gained respectability in the City.

This was helped by expansion beyond its eastern Mediterranean base. It bought Russell Hobbs and Tower, the UK small domestic appliances company, and Capetronic, a Taiwan-based audio equipment manufacturer. The biggest steps came last year, with the £557m acquisition of Del Monte's fresh pineapple and bananas business and a £69m deal through which it took control of Sansui, a Japanese audio comoany.

Polly Peck ended the 1980s as the world's best performing share, multiplying its value by 1,300 times in the decade.

# Brussels to vet takeovers

Continued from Page 1

more than $45bn.

The Commission claims its new powers will remove regulatory uncertainty by establishing a system of "one-stop" merger control, under which the borderlines between the jurisdiction of the EC and of national anti-trust authorities will be more clearly defined.

However, many competition experts argue that several provisions of the EC rules are ambiguous, and some doubt whether the Commission is adequately equipped to enforce them.

Companies have complained about the amount of information Brussels may compel them to provide.

Some critics believe the impact of the rules on competition will be limited because the Ecu5bn sales threshold will catch only a few really large mergers. However, the Commission expects the threshold to be lowered to Ecu2bn after 1994.

The referral of the three British cases to the MMC will strip the EC of any power to vet the deals under its merger regulation.

The EC is already concerned at a statement Mr Peter Lilley, UK Secretary of State for Trade and Industry, in July that it would take a tougher line on deals where state-owned companies make acquisitions in the UK which he called "nationalisation by the back door."

This policy is being examined to make sure it complies with the Treaty of Rome, and is even-handed between British and other EC companies.

Two of the mergers referred yesterday involved state-owned groups, Kemira and Thomson-CSF. The BAe/Thomson-CSF joint venture was particularly seen as a suitable case for the MMC to consider the state ownership question. The UK authorities are thought to be especially concerned about French state-owned businesses making acquisitions in the UK.

# London SE plans to launch two new share indices

**By Deborah Hargreaves in London**

LONDON'S International Stock Exchange is expected to launch two new share indices next week as part of a pilot plan to develop a benchmark European stock index.

Mr Andrew Hugh Smith, chairman of the Stock Exchange, announced yesterday in Tokyo that one index would comprise 100 mainly German and French equities, and the other would be made up of 100 shares of which one-third would be UK stocks.

The indices are the result of several months of intense and sometimes heated discussion between leading market-makers at the exchange in a committee chaired by Mr Bob Steele, managing director of equities at Goldman Sachs. Their launch comes amid a rush by other European exchanges to develop a similar product.

The indices will be a real-time index based on prices quoted on SEAQ International and will differ from established benchmarks such as the FT-A World Index and Morgan Stanley's International Index, which are calculated at the end of the day.

But there is still much scepticism among market users about the appeal of a European product. One trader said: "It is difficult to establish a new benchmark. The Stock Exchange's index will be interesting, but I'm not sure anyone will use it."

The indices will include the top European stocks by capital value. The pilot programme is expected to quote the indices in several currencies.

The European Options Exchange in Amsterdam has already drawn up a European index, including the top 100 stocks, which is denominated in Ecu and due to start trading next month.

In London the exchange is also understood to be keen to see its new indices used as a base for futures and options products, but London's major derivatives traders see little demand for them.

Mr David Heron, head of options at UK brokerage, James Capel, said American and Japanese fund managers were keen to use an index which included the UK, but wanted it to be firmly established before they became involved. At the same time, UK fund managers wanted to use an index that did not include the UK.

While London's two derivatives exchanges were included in talks on the composition of the index, they are not planning to launch derivatives contracts until they can judge the new indices' success.

At the same time, the exchanges are disgruntled that they have not received exclusive rights to list a derivative of the new indices.

The indices are expected to be formally launched in November at the end of the pilot programme.

# Land prices fall in Tokyo but rise in provinces

Continued from Page 1

Many of the buyers were investors who had already made profits in Tokyo and were seeking to make similar gains elsewhere. But estate agents doubt if this premium will be sustained.

The central bank's worst fear is that land prices will fall as far as equities which have dropped 40 per cent from their peak. The same boom in credit in the late 1980s helped to inflate both markets.

Central bank officials believe, however, that there are powerful factors which will limit any decline in land prices.

● The growth of the Japanese economy remains strong, according to gross national product figures published yesterday, adds Ian Rodger in Tokyo.

Real GNP grew 0.9 per cent in the second quarter from the first quarter, an annualised rate of 3.6 per cent, according to the Government's Economic Planning Agency (EPA).

This was sharply down from the 2.5 per cent growth rate in the first quarter (10.4 per cent annualised).

THE LEX COLUMN

# Tremors below the surface

The mood in the London market yesterday was worse than it appeared on the surface. A 49-point drop in the FT-SE counts as an average bad day; what was new was the panic behaviour in second-line stocks. Rosehaugh and Stanhope fell 29 per cent apiece on rumours about Canary Wharf: APV fell 27 per cent on a profits warning, despite a rise in interim earnings and a held dividend: and most remarkably, Cookson fell 40 per cent for no obvious reason at all.

Some of this was due to an unusual combination of circumstances: the Polly Peck affair, worries about property and, rumbling along in the background, the effect of the global monetary squeeze on the world's financial institutions. It is one thing for Chase Manhattan's shares to yield 18 per cent, or for Midland Bank's to fall 11 per cent, as they did yesterday. But the 10 per cent fall earlier in the day in the shares of Japan's most highly regarded bank, the Industrial Bank of Japan, was positively unsettling.

For the optimist, the violence of yesterday's reaction in individual UK stocks might be taken as the final blow-off before the market turns. But there was no sign of the other characteristic of a blow-off, excess volume. The mood seems rather one of steadily increasing pessimism. The market has learnt nothing fresh about Cookson, for instance, since its depressing figures a fortnight ago. But since then it has acquired the notion, rightly or wrongly, that a major UK manufacturer which survived the last recession – and which had a market value of £1.1bn at the start of this year – might go under this time round. Even in such a market, a bounce cannot be ruled out; but it would not do to trust to it.

## Polly Peck

The market has reached the end of its tether with Polly Peck. Whatever one's views of fresh fruit, Cypriot hotels or the prospects for Turkish electronics, they fade into the background compared with the sheer chaos of yesterday's events. The shares plunged so fast, and in circumstances so bizarre, that Polly Peck's market price has lost all contact with fundamentals. At 108p the prospective p/e is 2.3 and the gross yield 19.8 per cent, a deathbed rating which companies reach only when nearly bust. Yet that is surely not Polly Peck's position. At £864m-odd, its debt is high but quite manageable, unless the group's fresh fruit and electronics suffer an apocalyptic collapse, which seems very unlikely.

It is not Polly Peck's trading which bothers the market, but the possible implications for shareholders' interests of the manner in which it is governed by Mr Nadir. Of course, dealing in the shares should resume soon, for the customary reasons. But if today's announcement presents merely a confident trading statement and another denial that the authorities are probing Polly Peck itself, it may fail to restore not only the share price but an orderly market in the shares.

Something more, then, must be done about Polly Peck. The question is what and by whom. Its advisers, Lehman Brothers and de Zoete & Bevan, should be thinking about resigning, if only because they learned so late of such a material circumstance as Scotland Yard's visit to South Audley Management on Wednesday night. As for Polly Peck's board, its failure even to bring a statement out in trading hours yesterday was not encouraging. Regrettably, because it could take so long, a full DTI inspectors' report on Polly Peck's affairs may have to be considered, if only as a way of helping Mr Nadir clear the air.

## Merger policy

Missiles, sugar and fertilisers. The last thing the Monopolies and Mergers Commission would seem to need is another hefty increase in a workload which is running a good 60 per cent up on a year ago. Indeed, yesterday's bunch of references by Britain's new Trade and Industry Secretary are all the more bizarre, given that a couple appear to have been rushed through to stop them falling into the hands of the new European merger regime. It is not the sort of gesture one expects from a Government which has been campaigning long and hard for the new EC merger policy.

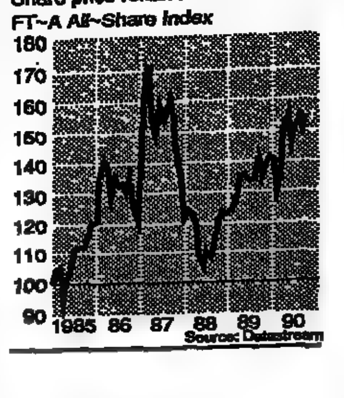
At least two of the references – Tate's bid for British Sugar and the sale of ICI's fertiliser business – were pretty inevitable. The MMC only stopped work on an earlier Tate reference after the latter had dropped a previous bid; and given that the proposed ICI deal involved numbers one and three in the industry, there was little chance of it escaping attention.

The Government's obvious concerns about state ownership of foreign acquirers reflect a considerable change in official attitudes to competition policy. These concerns will not be a factor in future EC decisions; but unless the MMC rejects them out of hand they are bound to curb some foreign predators. This may all make good political capital. On the other hand, if ICI is obliged to close its fertiliser business and Tate and Lyle is forced to cut back on its UK cane refining because it cannot buy British Sugar, there could be some nasty political repercussions. The UK Government may well come to regret not having handed these delicate decisions over to the EC.

## Glaxo

**Glaxo**

Share price relative to the FT~A All~Share Index




In the context of yesterday's market, Glaxo's results came from a world so different as to seem unreal. Earnings growth may have slowed to a mere 15 per cent, but that is at least partly the effect of currency. Underlying sales growth for most of the important products still ranges from 16 per cent upwards. And in a world groaning with corporate debt, there is something dizzying about a company which can propose to spend £6bn on R & D and capital projects over the next five years without even denting its £1bn cash pile.

The 26 per cent increase in the dividend is meanwhile represented not as prodigality, but as smoothing the payment through sterling's irrelevant fluctuations. The market now suspects earnings growth this year may be in single figures, chiefly because of the slowing momentum of Zantac. But the shares still look an admirably defensive investment in relative terms, despite a prospective multiple of almost 13 at 718p. How they will perform in an upturn is another matter, but it seems early to worry about that yet.



WORLDWIDE WEATHER

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 25 | 77 | Berlin | R | 13 | 55 | Caracas | C | 28 | 84 | Faro | S | 27 | 82 | Islamabad | F | [illegible] | [illegible] |
| Algiers | F | [illegible] | 91 | Biarritz | S | 22 | 72 | Casablanca | C | 23 | 73 | Florence | S | 23 | 75 | Istanbul | S | 22 | 72 |
| Amsterdam | R | 12 | 56 | Bombay | F | 27 | 82 | Chicago | C | 11 | 52 | Frankfurt | C | 16 | 61 | Jakarta | F | 32 | 90 |
| Athens | S | 23 | 75 | Bordeaux | S | 25 | 77 | Cologne | F | 13 | 55 | Geneva | S | 18 | 66 | Jersey | C | 17 | 63 |
| Bahrain | S | 33 | 93 | Boulogne | C | 17 | 63 | Copenhagen | F | 15 | 59 | Gibraltar | R | 25 | 77 | Johannesburg | - | - | - |
| Bangkok | F | 32 | 91 | Brussels | C | 15 | 59 | Corfu | C | 23 | 73 | Glasgow | R | 15 | 59 | Lima | G | 13 | 56 |
| Barcelona | S | [illegible] | 79 | Bucharest | C | 16 | 61 | Dallas | C | 22 | 73 | Helsinki | C | 12 | 54 | Lisbon | S | 25 | 75 |
| Beirut | - | - | - | Buenos Aires | C | 15 | 59 | Dublin | Dr | 16 | 61 | Hong Kong | R | 27 | 82 | London | S | 17 | 63 |
| Belfast | C | 15 | 59 | Cairo | S | 28 | 84 | Dubrovnik | C | 22 | 72 | Innsbruck | R | 12 | 54 | Los Angeles | - | 19 | 66 |
| Belgrade | R | 12 | 55 | Cape Town | S | 15 | 59 | Edinburgh | R | 15 | 59 | Inverness | F | 17 | 63 | Luxembourg | F | 15 | 59 |

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Madeira | S | 21 | 70 | Milan | S | 25 | 77 | Nicosia | S | 27 | 82 | Salzburg | R | 11 | 52 | Tenerife | S | 27 | 81 |
| Madrid | S | 25 | 77 | Montreal | F | 6 | 43 | Oporto | S | 29 | 84 | San Francisco | C | 16 | 61 | Tokyo | S | 29 | 84 |
| Majorca | S | 29 | 84 | Moscow | R | 10 | 50 | Oslo | S | 12 | 55 | Seoul | S | 21 | 70 | Toronto | S | 6 | 43 |
| Malaga | F | 26 | 79 | Munich | C | 13 | 55 | Paris | S | 17 | 64 | Singapore | - | - | - | Tunis | S | 31 | 88 |
| Malta | S | 27 | 82 | Nairobi | C | 27 | 82 | Peking | S | 22 | 73 | Stockholm | F | 13 | 55 | Valencia | C | 26 | 79 |
| Manchester | C | 16 | 61 | Naples | F | 23 | 73 | Prague | S | 12 | 54 | Strasbourg | S | 17 | 63 | Venice | F | 22 | 72 |
| Manila | C | 33 | 93 | Nassau | C | 32 | 81 | Reykjavik | R | 2 | 37 | Sydney | F | 17 | 63 | Vienna | C | 12 | 55 |
| Melbourne | S | 18 | 66 | New Delhi | F | 32 | 90 | Rhodes | S | 27 | 82 | Taipei | F | [illegible] | [illegible] | Warsaw | C | 12 | 54 |
| Mexico City | S | [illegible] | [illegible] | New York | S | 8 | 46 | Rio de Janeiro | F | 36 | 97 | Tangier | T | 27 | 82 | Washington | S | 11 | 52 |
| Miami | S | 27 | 81 | Nice | S | 25 | 77 | Rome | F | 25 | 77 | Tel Aviv | S | 27 | 81 | Zurich | F | 17 | 64 |

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

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FINANCIAL TIMES
# COMPANIES & MARKETS
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Friday September 21 1990



## INSIDE

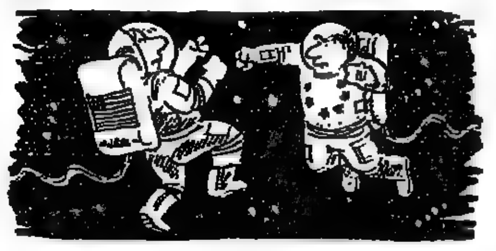
### British Gas unveils US expansion plan

British Gas has big plans for the US. The group yesterday revealed that it is to expand significantly there, as part of its strategy of creating a large exploration and production arm. It aims to build US gas reserves to 500bn cubic ft in the next four to five years. Analysts are uneasy, however, about the plans to become more involved in risky exploration and production activities. Page 31

### Mixing business and pleasure

Scottish & Newcastle is turning its attention to the holiday market. The Edinburgh-based brewer is negotiating to buy the outstanding share capital of Center Parcs, the Dutch holiday village operator, in which it already holds a 60 per cent stake. Philip Rawstorne reports on the details of the £180m ($338.4m) deal which values the Dutch company at £454m. Page 31

### Fight for the final frontier



The race for space is as fierce as ever. In Europe, the industry is reorganising itself around two groups in the face of competition from the large US companies. "We have to join forces to grow. Europe can only afford two space teams. The problem is whether one group will become the Trojan Horse in Europe for the US industry," says one industry executive. Page 28

### Peru's potential gold mine

Peru is taking action to exploit the potential of its mining industry, only 3 per cent of which is currently being used. For the first time in 50 years, the Government is setting out to woo foreign investment. A "competitive and stable" tax system for the mining sector, exchange rate stability and an end to monopolies are just a few of the measures promised by Alberto Fujimori's seven week-old administration. Page 40

### Minorco shuffles investments

An extensive reshuffle of industrial interests is planned at Minorco, the Luxembourg-quoted offshoot of the Anglo American Corporation of South Africa. The group said yesterday that the move is part of Minorco's transformation into a hands-on, operational, natural resources group. Tony Lea (left), joint managing director, said the main investments would be either sold or taken into complete control. Page 28

### Market Statistics



### Companies in this section



### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | **PARIS (FFr)** | | | |
| **Falls** | | | | **Falls** | | | |
| AEG | 222 | – | 18 | Beghin-Say | 740 | – | 52 |
| Bmw | 448 | – | 16 | CGIP | 857 | – | 83 |
| Fag Kugelfis | 280.5 | – | 13.5 | Cred Foncier | 885 | – | 63 |
| Holzmann (P) | 1320 | – | 130 | Havas | 467.2 | – | 23.7 |
| Lanmeyer | 965 | – | 40 | Poliet | 390 | – | 20 |
| Volkswagen | 398 | – | 21.5 | Soc Gen.de Fr | 427 | – | 21.1 |
| **NEW YORK ($)** | | | | **TOKYO (Yen)** | | | |
| **Rises** | | | | **Rises** | | | |
| Apple Bancorp | 36⅞ | + | 5½ | Heisei Polymer | 758 | + | 57 |
| **Falls** | | | | Kioritz | 660 | + | 50 |
| Citicorp | 18⅝ | – | ⅝ | Tokyo Sokuhan | 2800 | + | 310 |
| Furr's-Bishop | 4 | – | ½ | **Falls** | | | |
| Gillette | 51⅛ | – | 3½ | Fuji Bank | 1860 | – | 180 |
| MBIA | 26½ | – | 3 | Ind.Bk of Jap | 2240 | – | 250 |
| Reuters | 40½ | – | 2⅜ | Osaki Elec | 1140 | – | 120 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **LONDON (Pence)** | | | | | | | |
| **Rises** | | | | Foseco | 174 | – | 14 |
| AnglianWater | 241 | + | 5 | Lonrho | 215 | – | 19 |
| Lowe Group | 410 | + | 145 | Midland Bk | 203 | – | 25 |
| Proudfoot | 395 | + | 8 | Noble Raredon | 37 | – | 27 |
| **Falls** | | | | Polly Peck | 108† | – | 135 |
| APV | 69 | – | 25 | Reuters | 724 | – | 66 |
| Barclays | 300 | – | 20 | Rosehaugh | 72 | – | 30 |
| Barratt Dev | 92 | – | 14 | Royal Insurance | 362 | – | 17 |
| Beazer | 83 | – | 25 | Scott & New | 317 | – | 12 |
| Carlton Comm | 313 | – | 21 | Stand & Chart | 321 | – | 27 |
| Cookson | 54 | – | 36 | Tunnel Cons | 215 | – | 34 |
| ECC | 288 | – | 22 | Wardle Storeys | 225 | – | 21 |
| Electron Hse | 33 | – | 17 | | | | |

† Price at suspension

# London share prices drop by 2.4%

Shares in London fell across the board yesterday, with the FT-Actuaries All-Share index down 24.4 points, 2.4%, at 976.33. It was the lowest close since January 1989. Despite a number of strong company results, the Stock Exchange's Topic screens were awash with red – showing shares falling in value – throughout the day. Below, the background to some of the worst falls. Detailed market report, back page

## Cookson down 40%

■ COOKSON GROUP, the specialised industrial materials company, was last night at a loss to explain yesterday's 40 per cent fall in its share price, indicating that there had been no material change in its position since its interim report just two weeks ago, writes David Owen.

After a late recovery, the shares closed down 36 at 54p. Last September, on the eve of the company's 1989 interims, they had stood at 376½p.

The nub of the group's difficulties, it is generally agreed, lies in its heavy debt load, which amounts to nearly £550m. This produced a near-doubling in net interest payable in the first six months to £38.5m (£20m). Pre-tax profits in the period fell to £71.4m from £96.3m.

The debt was taken on to finance Cookson's diversification into ceramics and plastics, where it now sees its future. The group, which was formerly known as Lead Industries, says it is considering selling some of its metals businesses as part of a substantial restructuring to pay it down.

While faced with this hefty interest bill, Cookson has been hit by an operating downturn in some of its businesses, most notably Tioxide, its 50/50 titanium dioxide joint venture with ICI.

A number of analysts believe that the stiffest of Cookson's loan covenants requires interest to be twice covered by operating profits. A deteriorating profits outlook would obviously worsen this ratio.

## Property and builders

■ THE DEPRESSED property and construction sectors were among the worst hit, even though many of the stocks in question were already trading close to their annual lows, writes David Owen.

Property shares have lost nearly 15 per cent of their value relative to the FT-A All-Share index since the beginning of the year.

Mr Godfrey Bradman's Rosehaugh, joint developer of the City of London's Broadgate complex, dropped 30p to 72p on rumours that Toronto-based Olympia & York Developments was preparing to sell a stake in its US property portfolio to help fund Canary Wharf.

O&Y, which holds about 9.5 per cent of Rosehaugh, later denied this and said that the Canary Wharf financing package was "substantially committed." Shares in USM-listed Stanhope, Rosehaugh's fellow joint developer at Broadgate, also fell sharply to 57p – down 23p.

Beazer, the housebuilder, was another victim, tumbling 15p to 93p. The company issued a statement after the market closed to say that it knew of no reason to explain the movement, "other than the general economic climate." Barratt Developments, which this week cut its dividend for the first time in 22 years, fell a further 14p to 92p. Other steep declines included Tilbury Group – down 40p to 488p – and Markheath Securities – down 9½p to 27½p.

## APV warning

■ Shares in APV, the food processing machinery group, dropped 25p (27%) to close at 69p, writes Andrew Jack.

The slide came after Sir Peter Cazalet, APV's chairman, warned that the company faced intensified trading difficulties during the rest of the year, while announcing flat results for the first half.

The result ends four years of rapid growth in profits which has been accompanied by expansion into Australasia, North America and several joint ventures in Eastern Europe and China. The company has doubled in size since it fought off a bid by Siebe in 1986.

Pre-tax profits for the six months to June 30 were £24.6m (£24.2m). Among other warning notes, the chairman's statement cited "a noticeable slowdown of enquiries in the UK" and some orders "lost or deferred" as a result of the Gulf crisis (though exposure to the Middle East is small).

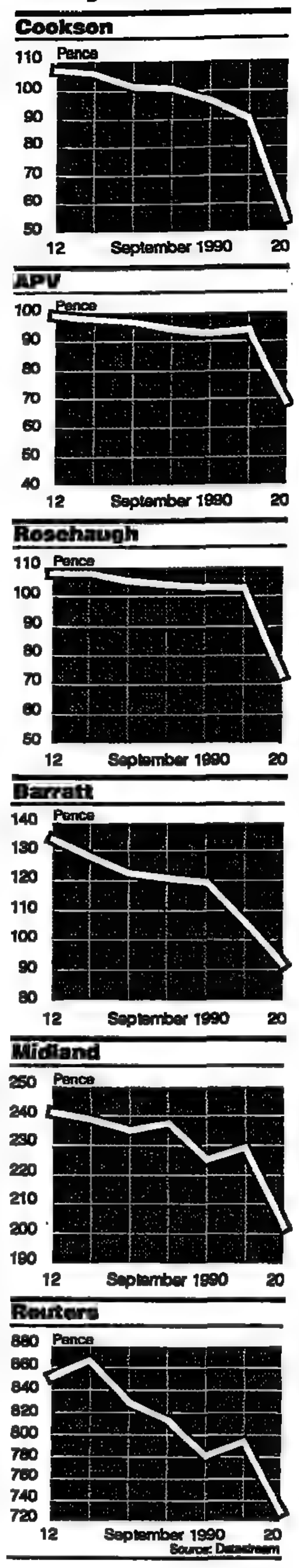
Sir Peter warned that: "Tightening market conditions have become increasingly apparent in the last six to eight weeks."

Analysts yesterday downgraded their full year pre-tax profits expectations to £50m to £55m, a drop of up to £10m. Pre-tax profits were £60.6m in 1989.

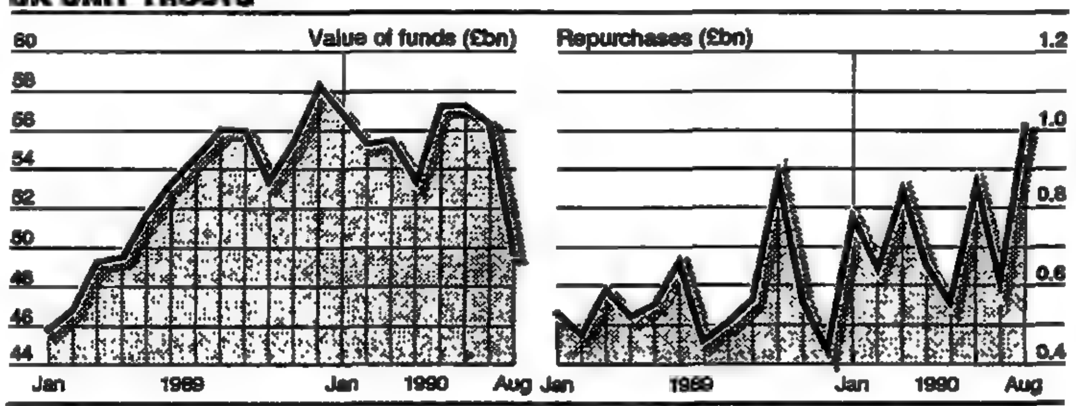
The company's briefing left analysts disappointed. "The mood was very defensive and downbeat," said one. "We left feeling bearish."

Details, page 32

### Badly hit shares




### UK UNIT TRUSTS




# UK unit trusts suffer worst month since the 1987 crash

By Sara Webb in London

THE Gulf crisis dealt a big blow to the UK unit trust industry last month, leading to a near £7bn ($13bn) fall in the value of funds under management and a record level of repurchases from investors, according to figures released yesterday by the Unit Trust Association (UTA).

The value of unit trust funds under management fell by 11.7 per cent – or £6.6bn – to £49.7bn, the largest monthly fall to occur since the stock market crash of October 1987.

Private investor confidence in the stock market collapsed after Black Monday, when unit trust funds fell in value by £13bn to £37.3bn, and the marketing men at the unit trust groups have had an uphill task wooing the small investor back into share-based investments ever since.

In August, the industry saw the largest ever outflow of funds for a single month at £476m. Repurchases of units by groups reached their highest level ever at £1.07bn, while gross sales of unit trusts in August amounted to £593.1m, the lowest level since December 1988.

Last month's fall in the value of funds under management was due mainly to the dramatic fall in world stock markets following Iraq's invasion of Kuwait, as well as to unitholders selling their holdings.

However, other factors have contributed to the fall. Following a change in the UK Budget regarding tax, life companies have started to take some of their money out of unit trusts where they benefited from a tax advantage, and have invested directly in the underlying shares instead.

Furthermore, Fidelity, one of the larger UK fund management groups, is in the process of reorganising some of its funds and as a result has moved about £250m out of its authorised unit trusts in the last two months.

Mr Tony Smith, chief executive of the UTA, said the figures were "disappointing, but not surprising in view of the markets' fall. Once stock markets fall there is a tendency for unitholders to worry and sell."

However, he added that he hoped the outflow was temporary and that institutions which had pulled out their money would reinvest when good buying opportunities arose.

# Strong showing on profits for a few top groups

STRONG results were reported by four leading companies yesterday, Guinness, LVMH, Glaxo and RMC.

Guinness, the international drinks group, was up 31 per cent from £246m to £322m ($605m), well ahead of expectations. The group raised the interim dividend by 22 per cent from 4.4p to 5.4p.

Chairman Mr Anthony Tennant said he was confident about meeting targets, despite adverse exchange rates and uncertainties caused by the Gulf crisis.

On the spirits side, the group increased volumes by 4 per cent in a market which fell overall by the same amount.

Group profits benefited from a 24 per cent stake in LVMH, the French champagne, cognac and luxury goods group, which yesterday announced interim profits 23 per cent up at £131m.

The decline of the dollar and the yen, which account for a large proportion of LVMH's sales in the Far East and North America, limited turnover to FFr8.82bn ($1.7bn), only 2 per cent up from the same period of 1989.

Meanwhile, Glaxo, the world's second largest pharmaceutical group, was bullish amid a 13 per cent rise in full-year profits.

The company announced a stream of new drugs to come on the market in the early 1990s. "We are embarking on perhaps the most ambitious product launch programme ever undertaken in our industry," said Sir Paul Girolami, Glaxo chairman.

Finally, RMC, the world's biggest producer of ready-mixed concrete, was singled out from most other UK-listed companies by closing 2p higher in a generally plunging market. This was despite announcing a 5.4 per cent fall in interim profits.

The group was hard hit by the downturn in the UK housing market, but impressive performance in West Germany offset the decline.

Guinness, Page 32; LVMH, Page 27; Glaxo: Lex, Page 24, Details, Page 31; RMC, Page 34

# SFO probes and price sensitivity

## Richard Waters and Nick Bunker report on Polly Peck's share fall

THE course of yesterday's events, as the share price of the once high-flying Polly Peck neared free-fall, leaves an uncomfortable question for the City regulators: shouldn't the stock market be kept informed of what the Serious Fraud Office is doing, if its actions are so price-sensitive?

It was more than four-and-a-half hours after the shares started to dip sharply that the International Stock Exchange suspended trading. It is understood that neither the Exchange nor the company's brokers – Lehman Brothers and de Zoete & Bevan – had any idea until around 2pm, shortly before the suspension, that the SFO had executed a search warrant at the West End offices of South Audley Management the previous evening.

South Audley has featured prominently in recent press reports about Inland Revenue and insider dealing group investigations relating to dealings in Polly Peck shares.

The market was rife with wild rumours, including speculation that Mr Nadir had died and that the company's Turkish interests had been badly hit by a collapse in the long-term Turkish bond market. Yet some two-and-a-half hours before suspension, at midday, the SFO was confirming to telephone callers that it had visited SAM.

This information had not been relayed to the market, and was not officially broadcast at all during the course of yesterday. Market-makers, stockbrokers and fund managers remained in the dark as the share price continued to fall from 183p at midday (when SFO confirmation was available) to 108p at suspension.

Polly Peck now hopes to make a full statement to the stock market on any links between it and SAM by tonight.

Several connections have already been established. SAM, a company giving advice on property investment, is majority owned by Cacique Investments, a Jersey company which is itself owned by Nadir family trusts.

The immediate beneficiary of these is understood to be Mr Nadir's mother, although Mr Nadir himself could potentially become a beneficiary in the event of her death.

SAM also has links with Mr Nadir's sister, Ms Bilge Nevzat. It at one time shared the same address as Noble Raredon, the leisure company controlled by Ms Nevzat.

Another former SAM director, Mr Jason Davies, has been linked recently with large dealings in Polly Peck shares which have come under investigation from both the Exchange's insider dealing group and the Inland Revenue.

Mr Nadir has said that any connections to Mr Davies and SAM are purely coincidental.

# Ankara lobbies on behalf of Mr Nadir

By David Barchard in London

THE TURKISH Government has made representations to Downing Street on Mr Asil Nadir's behalf, claiming that the Polly Peck International chairman was the victim of a British press campaign manipulated by Greek Cypriot propagandists.

Mr Nadir is a close ally of Mr Turgut Ozal, Turkey's President, and has spoken to him on the telephone several times in the past few weeks.

Mr Nurver Nures, the Turkish Ambassador in London, said he was unaware of any lobbying by Turkey on Mr Nadir's behalf.

However, the Turkish Foreign Ministry in Ankara admitted there had been several interventions on Mr Nadir's behalf by Turkish officials, though it declined to give precise details.

"We pointed out that the campaign mounted against him is targeted against his investments in North Cyprus and that the aim of the Greek Cypriots is to upset that economic situation in Northern Cyprus," a senior Turkish Foreign Ministry official said. "But we have never said anything about the investigation conducted by the British authorities," he added.

On the Istanbul stock exchange yesterday there was little reaction to news of Polly Peck's troubles in London.

Shares in Vestel, the group's Turkish consumer electronics subsidiary, closed unchanged at TL13,250.

# Reichmanns plan $400m sale of US real estate

By **Alan Friedman** in New York, **Bernard Simon** in Toronto and **Andrew Bolger** in London

MEMBERS of the Reichmann family of Canada, which controls Olympia & York (O&Y), the giant Toronto-based real estate empire, have retained the services of Lazard Frères in New York to sell more than $400m worth of US commercial real estate.

Mr John Zucotti, president of O&Y USA, yesterday denied that the company itself was making any sales or that it was facing cash flow troubles.

An executive close to the Reichmanns yesterday acknowledged, however, that this was a curious time to be selling US commercial real estate, given the severe slump in the market.

O&Y has been seeking £500m ($940m) from selected banks to help refinance the first phase of its Canary Wharf complex in London's Docklands.

So far the development has been financed by the Reichmanns' capital and corporate debt. Mr Zucotti claimed the US disposals "have nothing to do" with O&Y's Canary Wharf development, which has two financing programmes worth £1.1bn. He said these financing programmes were "in fine shape."

The US real estate sales are being sought by members of the Reichmann family who are minority partners with nearly 20 per cent of several US partnerships held with O&Y.

Among these are minority stakes in a Park Avenue office building and New York's World Financial Centre, which houses American Express, Merrill Lynch and Dow Jones.

The sellers are understood to be second generation members of the Reichmann family, whose three brothers – Paul, Albert and Ralph – control O&Y. Mr Zucotti said the Reichmann family members who are selling are looking for an institutional investor who would replace them, ensure continuity and participate in future as members of the governing committee of O&Y.

O&Y, fully owned by the Reichmann family, releases few details of its holdings or financial performance.

A report by Toronto's Dominion bond rating service last April estimated the value of the family's investments at between C$8bn (US$6.9bn) and C$9bn.

Besides its extensive real estate holdings in North America and Europe, the family controls Abitibi-Price, one of the world's largest newsprint producers, and Gulf Canada Resources, a leading Canadian energy producer.

The Reichmann family is also a leading shareholder and creditor of Campeau Corporation, the ailing Toronto-based real estate and retailing company.

# St-Gobain posts flat results at FFr4.75bn

By Our Financial Staff

SAINT-Gobain, Europe's biggest glassmaker which earlier this year carried out acquisitions worth about $2.2bn, yesterday announced flat profits for the first half of 1990.

Earnings growth in the six months was limited by exceptional losses, the company said. Operating profits eased from FFr4.75bn ($906m) to FFr4.56bn and attributable net profits were FFr2.02bn, against FFr2.01bn.

Saint-Gobain said a one-time loss of FFr176m compared with an exceptional gain of FFr95m in the first half of 1989. It said the loss was linked to the disposal of part of its Pont-à-Mousson unit.

Group turnover for the half year totalled FFr34.08bn, against FFr33.21bn. Over the current six months sales will reflect the first time inclusion of Norton, the US abrasive maker which it acquired for $2bn.

This deal was quickly followed by the successful takeover of Solaglas, a UK building glass maker, for $184m.

● Air Liquide, the French industrial gases group, reports first-half 1990 attributable net profit of FFr1.01bn, against FFr903m. Turnover was FFr14.35bn, up from FFr13.69bn.

# Philips ends European venture with AT&T

By **Ronald van de Krol** in Amsterdam

PHILIPS, the Dutch electronics group, is withdrawing from a six-year European telecommunications joint venture with American Telephone & Telegraph of the US, putting a formal end to the Dutch company's ambitions in the field of switching equipment for national telephone networks.

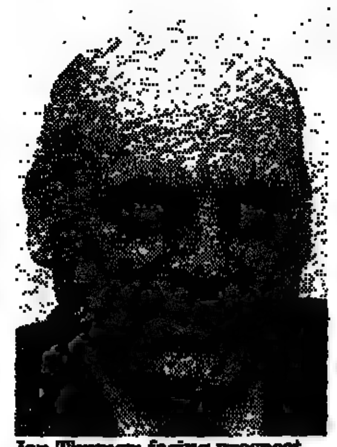
The company said yesterday that it intended to sell its remaining 15 per cent stake in the Netherlands-based joint venture to AT&T for an undisclosed sum. Analysts estimate that Philips' stake in the joint venture, called AT&T Network Systems International, is worth about $100m.

The transaction, which raises AT&T's holding in the venture to 74 per cent from 59 per cent, follows news last week that Telefonica, the Spanish telecommunications company, is to take a 6 per cent stake in AT&T Network Systems International. The remaining 20 per cent stake is held by Stet, the Italian state-owned electronics and telecommunications group.

The sale marks the final stage of Philips' withdrawal from public switching. Philips, which originally owned half the 50:50 joint venture when it was set up in 1984, reduced its holding to 40 per cent in 1988 and then to 15 per cent in 1989.

The Philips name was dropped from the joint venture's name in 1988, reflecting AT&T's decision to assume day-to-day management.

Yesterday's move had been expected. Philips, which is facing the prospect of large losses in 1990 because of serious problems in its computer and computer-chip operations, had said



Jan Timmer: facing prospect of large losses this year

in the past that it no longer considered public switching to be a high priority.

Under the company's new chairman, Mr Jan Timmer, Philips is reassessing its various businesses and concentrating on those which are most profitable.

A Philips official said the AT&T venture represented just a small part of the Dutch company's telecommunications business. "We remain committed to telecommunications."

Philips' communications division employs 15,000 people.

It owns factories in France, West Germany and the UK as well as in the Netherlands.

The joint venture with AT&T, based in the Dutch town of Hilversum, was designed to combine Philips' European marketing expertise with AT&T's technology, enabling Philips to stay at the forefront of public switching without making costly investments in new technology.

The joint company, which made its first profit in 1988, posted a 1989 net profit of Fl 30m ($17m) on sales of Fl 1.3bn.

AT&T Network Systems International said Philips' decision would not affect the company's future European strategy or lead it to abandon the Netherlands, where it has its head office and three operating companies. Commenting on Telefonica's impending accession to the company, AT&T said: "Our aim is to broaden and strengthen our base in Europe with partners that are of strategic importance to the company."

AT&T said it wished to retain majority control but would be willing to allow its stake to fall below 74 per cent if additional partners wanted to join.

# Cardo may merge batteries unit with Saft

By **George Graham** in Paris and **Robert Taylor** in Stockholm

CARDO, the Swedish holding company, said yesterday it was discussing merging its Nife batteries division with Saft, the batteries subsidiary of France's Compagnie Générale d'Electricité (CGE).

Saft confirmed it was holding talks with Nife, but said nothing had yet been signed and that as far as it knew Cardo might be discussing mergers with other candidates.

"Everyone knows that there are critical masses in this industry. Everyone is looking at possible alliances, there is nothing unusual about this," a Saft official said.

A merger would create a large batteries group, since Saft is the world's largest supplier of alkaline batteries, for the consumer sector and for aerospace, railways, communications and data processing purposes.

It is also a leading supplier of lithium, nickel-cadmium and silver-zinc batteries, and is said by Paris stockbrokers to have half the US military battery market.

CGE's lead-acid battery activities are grouped in another subsidiary, Compagnie Européenne d'Accumulateurs (CEAC).

Saft made FFr115m ($21.9m) net profits last year, up 20 per cent from 1988, on turnover 18 per cent higher at FFr3.1bn.

Cardo is affiliated to the Volvo motor and industrial group.

Mr Sven-Erik Persson, Cardo's administrative director, said yesterday it would be at least a month before any concrete results were likely to emerge from the talks.

He said the Nife and Saft product programmes complemented each other.

Cardo said it hoped the current negotiations would produce an eventual co-operation agreement between the two companies.

Cardo is in the midst of a restructuring of Nife's activities with the aim of broadening its product programme and making better use of its worldwide marketing organisation.

Nife is one the world's leading manufacturers of industrial nickel cadmium batteries. It had sales last year of SKr1.62bn ($282m) and made a profit (after financial items) of SKr8.7m.

It accounted for 17 per cent of Cardo's total turnover in 1989.

# Delta Dairy rises 25% in first half

By **Kerin Hope** in Athens

DELTA Dairy, Greece's biggest food company, reported a 25.2 per cent rise in net profit for the first half of 1990, thanks to increased sales of new products and lower operating costs.

Net profit increased to Dr1.8bn ($11.6m) from Dr1.4bn in the 1989 period. Turnover rose by 36.3 per cent to Dr14.99bn.

The company, which expects to be listed on the Athens Stock Exchange next month, predicted that 1990 net profits would exceed Dr3.5bn on sales of more than Dr30bn.

Delta's public offering consists of a 2.86m share issue in order to raise Dr14.3bn to finance a five-year expansion plan. But completion of the offering has been delayed by a two-week strike by state-controlled Greek banks.

The company, which exports yoghurts to Britain, West Germany and Italy, is seeking to improve markets abroad by 1992 and extend its product range to include more juices and chilled foods.

The expansion plan also calls for modernising Delta's plants around Greece and improving its distribution network.

# Operating profit at BCI jumps 20% to L536.7bn

By **Haig Simonian** in Milan

BANCA Commerciale Italiana (BCI), the leading Italian bank, reports that gross operating profit jumped by almost 20 per cent to L536.7bn ($458m) in the first half of this year against L448bn in the corresponding period in 1989.

The 1990 figure, which excludes extraordinary gains, stemmed from a 14.5 per cent rise in the bank's interest income to L1,103.7bn and an increase of 9.8 per cent in trading and commission income to L485.1bn.

Total operating costs in the period rose by just less than 10 per cent to L1,054.7bn.

Both total deposits and total loans fell slightly, to L71,156bn and L62,563bn respectively, with higher deposits and loans from customers being more than offset by lower volumes of interbank loan and deposit business.

# Lauritzen slides to DKr162m

PRE-tax earnings at J. Lauritzen, the Danish shipping, shipbuilding and manufacturing group, fell from DKr343m ($57.5m) to DKr162m in the first half of 1990, while earnings after net financial items fell from DKr209m to DKr142m, writes Hilary Barnes in Copenhagen.

Earnings were hit by the appreciation of the krone against the dollar, the company said.

It forecast a cut in earnings for the full year.

Last year's first-half result included DKr123m from ship disposals, this year there was a DKr2m loss.

# Cockerill Sambre warns of end to rapid profit growth

By **Lucy Kellaway** in Brussels

COCKERILL Sambre, the state-controlled Belgian steel company, said yesterday that its rapid growth in profits over the last few years had come to an end and that for the second half of the year results would be lower.

The group, which yesterday announced a 6 per cent drop in turnover for the first half of 1990 to BFr50.1bn ($1.6bn), said the steel market had started to slow and that the pinch was being felt both in terms of price and volume.

There would also be no more exceptional profits to buoy the results for the rest of the year, which for the first half contributed BFr2.2bn to a total net profit of BFr8.9bn. This compared with BFr7.3bn for the first half of last year.

Cockerill Sambre would make no comment yesterday on the progress of talks with Arbed, its fellow Luxembourg steelmaker, concerning a merger of their flat steel products operations. These talks were due to be completed this autumn, but appear to have met opposition from Belgian trade unions, which fear job losses.

Consolidated results for the first half were BFr9.9bn in net profit and BFr114.7bn turnover.

Consolidated figures for the same period last year were not announced.

● Banque Bruxelles Lambert has raised its capital by BFr6.8bn to almost BFr26bn using a capital gain earned from a revaluation by the bank of some of its buildings in Belgium.

The bank said it had used a capital gain of BFr6.1bn plus BFr700m from the bank's reserves to raise equity.

BBL also said that Comte Jean-Pierre de Launoit would succeed Mr Gérard Eskenazi as a vice chairman of the board of directors.

Mr Eskenazi resigned last week from posts in companies linked to Groupe Bruxelles Lambert. GBL owns 11 per cent of BBL.

## INTERNATIONAL COMPANIES AND FINANCE

# Trump seeks restructuring of $245m loan for shuttle

By Nikki Tait in New York

TRUMP Organisation – the deeply-indebted empire of New York-based property developer and casino operator, Mr Donald Trump – is asking its bankers for a further loan restructuring deal weeks after finalising a refinancing package.

The package, which finally cleared all regulatory hurdles last month, involved a further $65m cash injection by seven banks into the company, and allowed Trump Organisation to defer payments of interest and principal on about $1bn of its $2bn of bank debt. Now the company is asking to have another $245m loan, arranged as part of the funding for its $365m purchase of the Trump Shuttle in June 1989, "restructured."

The loan was provided by Citibank, and then syndicated among other lenders. Trump Organisation has starting talking to the banks involved, and said a meeting with them was planned for Wednesday or Thursday next week. Yesterday, Mr Steve Bollenbach, Mr Trump's recently-appointed finance director, acknowledged that the company had failed to make a payment due during the past few days on the shuttle loan.

He declined to give details of the extent of restructuring requested by Trump Organisation, but claimed the response from the banks so far had been "favourable." He added: "Frankly, nobody's surprised given the way fuel prices have been going." Citibank refused to discuss any views which it, or its syndicate, might have on the restructuring request. When Trump acquired the shuttle, Citibank provided $380m in loans – a $135m personal line of credit to Mr Trump plus the $245m facility.

Under last month's refinancing package, interest on the personal credit line was deferred, but interest on the $245m was kept current.

The Trump "business plan," drawn up by accountancy firm Kenneth Leventhal as part of last month's refinancing, does not permit further contributions from Mr Trump to the shuttle. It effectively assumes that the shuttle could become a self-sufficient organisation, able to service the $245m facility.

Aside from the latest problems on the shuttle debt, Trump Organisation is battling to finance a $47.3m interest payment due on some casino bonds in November. There is speculation that this might entail a form of debt-for-equity swap.

# LMVH up 23% to FFr1.25bn

By George Graham in Paris

LVMH Moët Hennessy-Louis Vuitton, the French drinks and luxury goods group, yesterday announced a 23 per cent increase in first-half net profits, and maintained its forecast of 15 per cent profits growth for the full year.

The decline of the dollar and yen, which between them account for a large proportion of LVMH's sales in the Far East and North America, limited turnover to FFr8.82bn ($1.68bn), only 2 per cent up from the same period in 1989.

Currency hedging failed to compensate for this decline at the operating profit level, which fell by 1 per cent to FFr2.33bn. At constant exchange rates, group operating profits would have advanced by 25 per cent.

Earnings fell 9 per cent to FFr881m at the Louis Vuitton luggage division, despite a 35 per cent increase in sales in Japan and strong development of the new upmarket Cuir Epiline.

Perfumes, affected by the cost of launching a Christian Lacroix perfume, and of developing its Givenchy skin care products, saw operating profits plunge by 46 per cent to FFr138m.

Operating profits from the cognac and spirits division, including Hennessy cognac and LVMH's joint sales ventures with Guinness, rose by 22 per cent to FFr1.1bn, as sales continued to grow, especially in the Far East.

The champagne division, including the Moët et Chandon, Mercier and Veuve Clicquot brands, advanced by 8 per cent to FFr339m.

A reduction in financing costs and the contribution from LVMH's stake in Guinness – increased earlier this year to 24 per cent, the same level as Guinness's consolidated interest in LVMH – helped net profits to advance by 23 per cent to FFr1.25bn.

Financing costs fell to about FFr90m, a quarter of last year's, but are expected to rise again in the second half because of the FFr8bn LVMH spent on increasing its Guinness stake.

LVMH's results remain vulnerable to currency movements, with the Far East – including Asian countries with currencies linked to the dollar – accounting for 40 per cent of sales.

Although export earnings are hedged against currency fluctuations, profits from subsidiaries, which account for about two thirds of foreign exchange risks, are not. The group calculates that a 30 centime rise in the yen against the French franc improves its net profits by FFr150m.

French financial analysts view the results as respectable, considering the unusual simultaneous decline of the dollar and the yen.

Although the weakness of operating profits caused some concern, analysts said the net result reflected stable factors such as a cut in the group's tax charge, rather than any exceptional items.

# Sherritt Gordon board ousted

By Bernard Simon in Toronto

A SMALL group of dissident shareholders has succeeded in ousting the directors of Canadian fertiliser and nickel producer Sherritt Gordon after a protracted dispute over the direction of the company.

The action against Sherritt is believed to be the first time that minority shareholders have succeeded in voting out the board of a Canadian public company.

A motion to remove the existing board drew 53.1 per cent of shareholders' votes at a special meeting in Toronto. The meeting was forced on Sherritt by the rebel group, led by three Toronto business executives including Mr Ian Delaney, a former president of Merrill Lynch Canada, and Mr Eric Sprott, president of a Toronto securities boutique.

Mr Delaney will take over as Sherritt's chairman and chief executive.

It comes when Canadian institutional investors are taking a more active interest in companies in which they own shares, and is bound to make the directors and managers of other companies more sensitive to shareholder criticism.

Canada Shergor Enterprises, a company controlled by the three dissidents, asked for the special meeting in July after building up a stake in Sherritt of just more than 5 per cent.

Until 1988, Sherritt was controlled by the US mining group Newmont Mining. Its earnings tumbled by 88 per cent in the first six months of this year to C$4.1m (US$3.5m) on revenues of C$195.5m. Shergor complained about mediocre returns to shareholders, blaming poor management, including the absence of an effective fertiliser marketing system and difficulties in securing raw material for Sherritt's nickel refinery in Alberta.

It argued that institutional shareholders were unhappy about Sherritt's erratic earnings, its low share price and that management owned few shares in the company.

The previous management rejected the allegations. At the meeting, chief executive Mr Charles Heinrich said Shergor suggestions had been considered. However, he rejected them as "impractical, unrewarding and possibly dangerous to the future of Sherritt."

# Pan Am plans 10% reduction in workforce

By Nikki Tait

PAN AM, the large US carrier, plans to cut about 2,500 jobs next month, reducing its total workforce by about 10 per cent.

The move is being accompanied by changes to the US airline's fleet and route structure, designed to reduce the carrier's capacity by 7.5 per cent next year.

The cuts are a further demonstration of the dire conditions prevailing in the US airline industry. US carriers have been hit by rising costs – both on the labour front and, most recently, in fuel prices – and by the problem of passing on these higher expenses to customers in a sector plagued by overcapacity.

In a presentation to airline analysts in New York, Pan Am's chairman, Mr Thomas Plaskett, said about 2,500 jobs of the total of 29,000 would go next month. Pan Am later said the cuts would be spread "across the board" with both management and non-management positions affected. However, no pilots' jobs would be lost.

Although the cut is significant, the airline said there was a seasonal element in the figures. About 550 jobs, for example, relate to flight attendants, who may be rehired in the peak period next summer. To scale down capacity, Pan Am is returning five of its 35 Boeing 747 aircraft to the lessor, and replacing them with smaller A310/300 aircraft on certain transatlantic routes. The A310 has 192 seats, compared with 412 on the 747.

The airline is also reducing capacity on its domestic feeder service into New York's JFK airport and shifting capacity into Miami and Latin America, where it enjoys the highest yields and profits.

Overall, about 53 per cent of the group's total capacity should be directed to transatlantic flights next year, with domestic routes accounting for 24.1 per cent and Latin America for 22.9 per cent, against 59.3 per cent, 21.8 per cent and 18 per cent respectively in 1988.

Mr Plaskett said Pan Am was currently talking to "several parties" about the sale of its Northeast shuttle and a deal should be tied up by the end of the year, although it would probably not be consummated until early 1991. The company said it was putting the shuttle up for sale in May.

# National Semi hit by costs of reorganisation

By Nikki Tait

NATIONAL Semiconductor, the fourth largest semiconductor manufacturer in the US, yesterday reported a $165.5m loss after tax in its first quarter to the end of August. The loss translates to $1.63 a share.

The figure, which compares with $21.9m deficit in the same period a year earlier, comes after restructuring costs of $143.6m, against a $2.9m surplus in the same period a year earlier.

Sales rose from $397.6m to $442.7m during the first quarter. The profits figure was scored after a $5m fall in interest charges to $700,000.

The company announced last month it was laying off 2,000 workers and warned it expected to take a charge of around $140m in the three-month period as a result of the restructuring. It also forecast then that operating profits would be below expectations.

Yesterday's figures were met by a further 25 cent fall in National Semiconductor's share price, to $4.50.

The company said it had been hit by a variety of factors during the quarter, including "a seasonal slowing in shipments."

The restructuring involved National Semiconductor ending its manufacture of high-speed memory chips, used in high performance computers.

# INTERNATIONAL COMPANIES AND FINANCE

## Minorco to regroup industrial arms

By Kenneth Gooding, Mining Correspondent

MINORCO, the Luxembourg-quoted offshoot of the Anglo American Corporation of South Africa, yesterday said it would reshuffle extensively its portfolio of industrial interests in the coming year as part of its intended transformation into a hands-on, operational, natural resources group.

The company also reported that net earnings for the year to June 30 increased to US$784.4m from $280.1m after taking account of extraordinary net gains of $555.2m.

Mr Tony Lea and Mr Roger Phillimore, joint managing directors, said Minorco's main investments would be either sold or taken into complete control as part of the strategy.

Minorco's quoted investments include Adobe Resources, a US oil and gas producer (49 per cent owned); Charter Consolidated, a UK industrial company (36 per cent owned); Engelhard Corporation, a US speciality chemicals and precious metals group (30 per cent owned); and Inspiration Resources, a diversified North American natural resources group (56 per cent owned).

Last September Minorco collected $1.6bn cash for its shareholding in Consolidated Gold Fields of the UK, sold to the Hanson group.

In March Minorco paid $705m for Freeport McMoRan Gold, subsequently renamed Independence Mining Company.

Although Minorco still has net cash resources of $1.8bn, Mr Lea pointed out that this was not enough to mop up the outstanding shares in the quoted companies. He described the recent performances of Adobe and Inspiration as "lousy."

Minorco had no intention of buying another large gold producer at a big premium, but might "bolt on" more properties or small companies to Independence's operations.

Independence's gold output since acquisition had been 73,183 ounces, produced at an average cash cost of $182 an ounce and sold at an average of $365. The company's current annual rate of output was 300,000 ounces. Within two or three years Minorco intended to build this to 500,000.

Minorco's earnings from operations in the year to the end of June rose to $220m from $157.3m. Earnings before extraordinary items were down to $229.2m from $280m.

Extraordinary net gains of $555.2m compared with $100,000 comprised a net gain from the Gold Fields disposal reduced by Minorco's share of a $160m after-tax restructuring charge at Engelhard.

Minorco intends to increase its dividend for the year by 14 per cent to 48 cents a share, up from 42 cents.

## Europe forms teams for space race

**Paul Betts** on how industry is preparing to meet the US challenge

THE European space industry is reorganising itself around two groups in an effort to strengthen Europe's competitive chances in the fast-growing world space market. But the principal European companies involved are adopting differing approaches to consolidation.

In France, which remains the fulcrum of European space activity, the state-owned Aerospatiale aerospace company and the privatised Compagnie Générale d'Electricité/Alcatel group are taking an essentially national approach by integrating their space operations into one group.

However, Matra, the other French privatised company active in the sector, has opted for a transnational approach by teaming up with GEC-Marconi of the UK. Nine months after agreeing to pool their space operations, the two companies have constituted a jointly-held space company called Matra Marconi Space (MMS). Matra and Marconi are now seeking to attract other European partners with space interests, such as British Aerospace and Deutsche Aerospace, into their group.

Most of these companies are concentrating their efforts on defence and commercial satellites. They are also working on a number of programmes coordinated by the 13-nation European Space Agency, such as developments of the Ariane satellite launcher and plans for an international staffed space station.

Claude Goumy: Europe can only afford two space groups

European companies have long co-operated on space projects, but are now attempting to concentrate the ways they collaborate to become more competitive against the large US companies in this field, such as Hughes Aircraft, Lockheed and General Electric.

Matra already has close links with BAe in the space field and has been building up a close relationship with Deutsche Aerospace, explains Mr Claude Goumy, the managing director of MMS.

"We would clearly like to bring into our partnership BAe and the Germans," he says.

"Europe's space industry is not sufficiently competitive on a world scale. We have to join forces to grow and face the US competition. Europe can only afford two space teams. The problem is whether one group will become the Trojan Horse in Europe for the US industry," Mr Goumy adds.

Mr Dick Evans, BAe's chief executive, agrees that the trend in the European space business is towards consolidation around two principal groups of companies. But he says that BAe, which regards space and communications as an important part of its strategy to broaden and diversify its overall business base, has not yet opted for any camp. BAe is clearly interested in the Matra-Marconi partnership, but it is also considering a possible alliance with a US partner.

Opportunities for satellite and space systems contractors are expected to grow in Europe as a result of the deregulation of telecommunications, forecasts Mr Goumy.

He also thinks that government business will continue to expand, especially in the fields of surveillance and verification satellites and environmental observation satellites.

However, the defence business is becoming increasingly tough because of more selective and competitive government procurement policies.

"We must be able to propose good joint industrial approaches to meet the developing co-operation in defence procurement between French and British ministries of defence," Mr Goumy says.

MMS expects to see its annual sales grow from about £400m this year to £600m ($1.1bn) by 1995. The joint company's order backlog totals £850m.

Both Matra and Marconi envisage expanding their joint company's activities into the service side of the business. "We don't just want to be satellite builders, but also carriers and communications service providers," Mr Goumy says.

## Dairy Farm's profits up 18%

By Angus Foster in Hong Kong

HONG KONG'S Dairy Farm International, the retailing and supermarkets arm of the Jardine Matheson group, yesterday reported an 18 per cent rise in net interim profits and said the outlook for the rest of the year was encouraging.

Dairy Farm said profits after tax in the six months to the end of June grew to US$58m from $49.1m last time. A forced conversion of preference dividends last year meant no preference dividends were payable and lifted profits attributable to ordinary shareholders by 36 per cent.

Group sales also rose 18 per cent to $1.39bn. Dairy Farm declared an interim dividend of 1.35 cents a share, an improvement of 17 per cent on last time.

In June and July Dairy Farm paid a total of $290m for the Spanish retailing chain Simago and New Zealand's leading supermarket chain Woolworths (NZ). These acquisitions did not affect earnings.

The profits were in line with market expectations and contrasted with other leading Hong Kong companies which have recently announced disappointing results. Weaker economies in Dairy Farm's main markets and costs associated with acquisitions and expansion plans are likely to constrain full-year profits growth to about 20 per cent, compared to a 34 per cent increase last time.

Mr Simon Keswick, chairman, said results in the company's three main markets of Australia, Hong Kong and the UK all improved.

He said the Franklins chain in Australia, the third largest in the country, reported increased profitability and market share, in spite of a series of strikes this year. Kwik Save in the UK, in which Dairy Farm holds a 25 per cent stake, reported a 12 per cent increase in interim profits in March.

Mr Keswick said the company's Wellcome, Mannings and 7-Eleven chains in Hong Kong all reported "good profits growth." Wellcome, Hong Kong's largest supermarket chain, performed well, in spite of high rentals and labour shortages.

Wellcome's drive into Taiwan continued and the company now operates 23 stores on the island.

Dairy Farm's Hong Kong restaurant business slowed in line with a weaker Hong Kong economy.

## Murdoch group plans capital restructuring

NEWS CORP, Mr Rupert Murdoch's gobal media group, yesterday announced it was to restructure its authorised capital, Reuter reports from Sydney.

Mr Richard Searby, Chairman, said: "There has been a series of discussions with the Australian Stock Exchange regarding the structure of the company's authorised capital, and an announcement of the proposed changes will be made next week."

He said News Corp was not proposing to raise cash through a share issue. News Corp gave no other details about the proposed changes.

Mr Keith Brodie, company secretary, said the group had put back its annual general meeting by seven days to October 23.

## INTERNATIONAL CAPITAL MARKETS

# Japanese yield edges up to 8.57% in stable trading

By Deborah Hargreaves in London and Janet Bush in New York

THE YIELD in the Japanese government bond market edged higher yesterday to 8.57 per cent from 8.53 per cent in a day of stable trading. The market has shown some signs of consolidating this week as the recent rush of bond selling by private clients has begun to dry up.

The market is still suffering from a round of short-term bond sales by assurance companies looking to put their money into subordinated loans which have recently been issued by Japanese banks, but the 10-year sector is looking more stable.

This could, however, be a temporary lull in a market that is expected to weaken further next week when the Ministry of Finance auctions its issue of 10-year October bonds. The Government is expected to issue Y700bn to Y800bn of bonds carrying a coupon of 7.7 or 7.8 per cent.

Although the anticipated coupon would be the highest for eight years, demand for bonds remains slim. The prospects for the auction are made more grim by the fact that the Government will change its method of auctioning the bonds.

The MoF will make 60 per cent of the bonds available through the auction with 40 per cent being distributed through a syndicate of banks. This will mark the first time the Government has auctioned such a large number of bonds – it usually auctions 40 per cent and offers 60 per cent through the syndicate.

A poor response to the auction is likely to prompt a further weakening of the market for 10-year bonds.

■ US Treasury bonds traded quietly yesterday as the market continued to consider the implications of Wednesday's testimony by Mr Alan Greenspan, Fed chairman, for interest rates. However, trading was undermined during the afternoon by higher crude oil prices.

By late trading, short-dated maturities were quoted as much as ⅛ point lower and the Treasury's benchmark long bond stood ⅛ point lower for a yield of 9.03 per cent.

The long end of the market had reacted positively to Mr Greenspan's remarks on Wednesday, which appeared to restore some of his lost credibility in the fight against inflation. He seemed reluctant to ease monetary policy because of concern about inflation, which he emphasised in his remarks.

The lack of movement in the market before the renewed surge in oil prices seemed to reflect a balance between encouragement about Mr Greenspan's anti-inflation talk and disappointment that the central bank may not be intending to ease policy.

The Fed did not operate in the money market yesterday. This came as a surprise to bond market economists, who had expected the central bank to add reserves, particularly with Fed Funds trading at 8⅛ per cent, somewhat above the 8 per cent target. However, the fact that the Fed did not operate was not believed to have any policy significance.

October oil futures were quoted $2.42 a barrel higher in mid-afternoon trading at $35.60 a barrel.

■ IN THE UK, the gilts market recovered from the sell-off that was prompted on Wednesday by fears over the delay in joining the exchange rate mechanism of the European Monetary System.

As the equity market tumbled, bond prices edged up slightly to close two ticks higher on the day as investors considered the prospects of a recession in the UK economy. UK money supply figures, which were released yesterday, were better than the market had expected and in line with other economic indicators that point to a slowing of the economy.

A benchmark 11¾ per cent gilt maturing in 2003/07 was two ticks higher at 100¼ offering a yield of 11.67 per cent.

■ THE West German bond market was extremely quiet as Bunds traded in a narrow range. The benchmark 8½ per cent 10-year Bund was fixed slightly lower at 96.70 down from 96.75 but its yield was unchanged at 9 per cent.

### GOVERNMENT BONDS

**BENCHMARK GOVERNMENT BONDS**

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 13.500 | 09/92 | 101-25 | +3/32 | 12.47 | 12.50 | 12.78 |
| | | 9.000 | 03/00 | 84-25 | +17/32 | 11.70 | 11.75 | 12.10 |
| | | 9.000 | 10/08 | 84-00 | +21/32 | 11.06 | 11.10 | 11.53 |
| US TREASURY * | | 8.750 | 08/00 | 99-00 | -5/32 | 8.90 | 8.81 | 8.87 |
| | | 8.750 | 08/20 | 97-01 | -6/32 | 9.03 | 8.94 | 8.99 |
| JAPAN | No 119 | 4.800 | 6/99 | 81.1242 | -0.200 | 8.57 | 8.38 | 8.09 |
| | No 130 | 6.700 | 06/00 | 92.4221 | +0.001 | 8.09 | 7.99 | 7.63 |
| GERMANY | | 8.500 | 08/00 | 96.7500 | +0.100 | 9.01 | 8.98 | 9.04 |
| FRANCE | BTAN | 9.000 | 11/95 | 94.7374 | -0.071 | 10.35 | 10.23 | 10.45 |
| | OAT | 8.500 | 03/00 | 88.2300 | -0.050 | 10.49 | 10.33 | 10.36 |
| CANADA * | | 10.500 | 07/00 | 96.9000 | -0.300 | 11.02 | 10.75 | 10.84 |
| NETHERLANDS | | 9.000 | 07/00 | 98.7400 | +0.030 | 9.19 | 9.12 | 9.07 |
| AUSTRALIA | | 13.000 | 07/00 | 97.1672 | +0.262 | 13.52 | 13.46 | 13.50 |

London closing, *denotes New York closing session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

# Matif Ecu futures could trade on Globex

FUTURES contracts run by France's Matif could start trading on the Globex automated 24-hour futures and options exchange in the second half of 1991, Reuter reports from Paris.

Mr Gerard Pfauwadel, the Matif chairman, said he had negotiated exclusive rights for long-term Ecu products on Globex. Previously only Matif's bond futures and Paris interbank rate contracts were earmarked for Globex.

The two American exchanges in Globex, the Chicago Mercantile Exchange (CME) and Chicago Board of Trade (CBOT), should launch the system with trade in their contracts during the first quarter of 1991. The system was to begin at the end of 1990.

Globex is jointly developed by Reuters and the CME.

Mr Pfauwadel said the delay had been caused by the need to change computers and double their capacity with the arrival of the CBOT. The timetable is still provisional, he said.

"There is no electronic market with large interest rate contracts which has proved itself," he said, referring to delays in launching the Deutsche Terminbörse, the German electronic market started this year which so far only trades options contracts.

He added that Matif had insisted on fixing pre-programmed credit limits for each trader on Globex.

● Banque Paribas plans to give up its role as a market-maker for options on French Treasury-bond futures from October 15.

It said the move fitted into an overall refocusing of activities in bond options and, more generally, over-the-counter options.

Paribas stressed that it would remain a player in the market for interest-rate options, however, as this remained an essential element for its marketmaking activity in derivative products.

Paribas' spot as market-maker for options on the bond futures contract will be taken over by Banque d'Escompte.

# London firm of advisers opens doors

EUROPEAN Capital, a financial advisory operation, opened for business in the City of London yesterday with capital of £2.5m, writes David Lascelles, Banking Editor.

Its shareholders are C. Itoh, the Japanese trading company; Westinghouse Credit Corp, the finance arm of the US electrical goods company; and Century Leasing System, a Japanese leasing firm. The company will provide advice in corporate, project and trade, and property finance.

Mr Stephen Syrett, formerly of Morgan Grenfell, and Mr Andrew Winckler, a former director of Lloyds Merchant Bank, are executive directors.

# Securities houses hit by Tokyo fall

By Stefan Wagstyl in Tokyo

YAMATANE Securities, a second-tier Japanese securities company, yesterday revealed it would barely break even in the six months to the end of September due to the plunge in Tokyo's financial markets.

The company was one of 15 medium-sized houses which published sharp reductions in interim profit forecasts. The groups' forecast cuts in interim pre-tax profits averaging 67 per cent and ranging between 30 per cent for Kosei Securities and 97 per cent for Yamatane.

Yamatane said profits would plunge to Y300m from Y8.7bn for the same period last year, due mainly to a Y5.8bn valuation loss on in-house securities holdings. This compounded the effect of a 10 per cent decline in brokerage income caused by the general sluggish condition of the Japanese stock market, said Yamatane.

The company expects a sharp improvement in the second half to bring profits for the year to March 1991 to Y7.3bn, 69 per cent down on last year.

Yamatane aside, the figures suggest that the medium-sized brokers are weathering the turmoil in the market somewhat worse than the Big Four houses – Nomura, Daiwa, Nikko and Yamaichi. The Big Four expect declines in interim pre-tax profits of between 49 per cent and 75 per cent.

# Flotation of Austrian group oversubscribed

THE Sch500m flotation of an 18 per cent stake in Austrian construction group Maculan Holding has been oversubscribed and closed early, Reuter reports.

The Maculan family is selling 6.25 per cent of the Sch240m ordinary capital at Sch950 each.

It is also selling 50 per cent of the Sch90m preference share capital.

Maculan shares will be listed on the Vienna bourse in the first half of October, according to lead manager Raiffeisen Zentralbank Oesterreich.

○ Portugal will complete the flotation of the state's remaining 51 per cent stake in the Tranquilidade Seguros insurance company on October 9, exchange officials said.

Subscriptions for the 2.55m shares on offer will open on Monday.

## FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 20

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABBEY NATIONAL 8 7/8 93 | 150 | 99½ | 100¼ | | [illegible] |
| ALBERTA PROVINCE 9 3/8 95 | 600 | 100¾ | 101 | | 9.17 |
| AUSTRIA 8 1/2 00 | 400 | 95¼ | 95¾ | +⅛ | 9.39 |
| BANK OF TOKYO 8 3/8 96 | 100 | 94⅝ | 95⅛ | +⅛ | 9.59 |
| BELGIUM 9 1/8 92 | 400 | 100¾ | 101¼ | | 8.70 |
| BFCE 7 3/4 97 | 150 | 92¼ | 92⅝ | +⅛ | 9.39 |
| BNP 8 5/8 94 | 300 | 98⅛ | 98⅜ | | 9.05 |
| BP CAPITAL 9 5/8 93 | 150 | 101 | 102 | | 9.08 |
| CANADA 9 96 | 1000 | 99⅞ | 100¼ | | 9.01 |
| CARCO 9 1/4 96 | 450 | 98⅛ | 98⅝ | +⅛ | 9.56 |
| CCCE 9 1/4 95 | 300 | 100⅜ | 100⅞ | | 9.12 |
| COUNCIL EUROPE 8 96 | 100 | 94¼ | 94⅝ | +⅛ | 9.31 |
| CREDIT FONCIER 9 1/2 99 | 300 | 99⅜ | 99⅝ | +⅛ | 9.59 |
| DENMARK 0 98 | 250 | 46⅝ | 47⅛ | +⅛ | 9.58 |
| DENMARK 8 1/4 94 | 150 | 97¼ | 97⅝ | | [illegible] |
| ECSC 8 1/4 96 | 193 | 95⅛ | 95⅝ | +⅛ | 9.31 |
| EEC 7 1/4 93 | 250 | 96⅞ | 97⅛ | | 8.68 |
| EIB 7 3/4 96 | 250 | 93⅛ | 93⅜ | | 9.27 |
| EIB 10 97 | 250 | 102¾ | 103¼ | +⅛ | 9.37 |
| ELEC DE FRANCE 9 98 | 200 | 98¼ | 98⅝ | +⅛ | 9.32 |
| EUROFIMA 9 1/4 96 | 150 | 99⅝ | 100⅛ | | 9.32 |
| EXPORT DEV CORP 9 1/2 98 | 150 | 100⅛ | 100⅝ | +⅛ | 9.46 |
| FINLAND 7 7/8 97 | 200 | 92 | 92½ | | 9.60 |
| FINNISH EXPORT 9 3/8 95 | 200 | 100⅜ | 100¾ | | 9.27 |
| FORD MOTOR CREDIT 9 1/2 93 | 300 | 100⅝ | 101⅛ | | 9.24 |
| GEN ELEC CAPITAL 9 3/8 96 | 300 | 100 | 100⅜ | +⅛ | 9.36 |
| GMAC 9 1/8 96 | 200 | 98½ | 98⅞ | +⅛ | 9.46 |
| HALIFAX 9 1/2 93 | 200 | 100⅞ | 101½ | | 9.10 |
| IBM WORLD TRADE 7 5/8 93 | 150 | 95⅛ | 96⅛ | | 9.22 |
| IND BK JAPAN FIN 7 7/8 97 | 200 | 91½ | 92 | | 9.66 |
| INTER AMER DEV 7 5/8 96 | 200 | 92¼ | 92⅝ | +⅛ | 9.38 |
| ITALY 8 1/2 94 | 1500 | 98⅛ | 98⅜ | | 9.02 |
| JAPAN DEV BK 8 94 | 150 | 96⅞ | 97¼ | | 9.06 |
| KANSAI ELEC PWR 10 96 | 350 | 101⅝ | 102⅛ | | 9.58 |
| [illegible] | 150 | 98⅞ | 99⅜ | | 9.11 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| NEW ZEALAND 4 7/8 99 | 100 | [illegible] | [illegible] | [illegible] | [illegible] |
| POLLY PECK INTL FIN 6 1/4 96 | 100 | 74½ | 76 | | 7.69 |
| QUEBEC HYDRO 5 08 | 100 | 95½ | 96½ | -2 | 7.75 |
| SKANDINAVISKA ENSK 6 1/2 95 | 100 | 97½ | 98 | +¼ | 7.59 |
| WORLD BANK 6 1/4 92 | 100 | 100½ | 101 | +½ | 6.93 |
| WORLD BANK 7 1/4 92 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| YEN STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| AUSTRIA 4 3/4 94 | 30000 | 89⅛ | 89⅜ | | 8.54 |
| CANADA 4 3/8 92 | 80000 | 93⅛ | 93⅜ | | 8.56 |
| CREDIT FONCIER 5 1/4 94 | 20000 | 88⅛ | 88⅜ | | 8.62 |
| DENMARK 7 95 | 40000 | 94⅝ | 94⅞ | -⅛ | 8.51 |
| EIB 4 5/8 94 | 40000 | 88¼ | 88½ | | 8.51 |
| GENERAL ELECTRIC 5 3/4 93 | 35000 | 93⅝ | 94⅛ | -⅛ | 8.63 |
| INTER AMER DEV 7 1/4 00 | 30000 | 94⅛ | 94⅝ | -⅛ | 8.14 |
| ITALY 5 3/4 92 | 150000 | 96¼ | 96½ | | 8.64 |
| KANSAI ELEC PWR 4 5/8 94 | 60000 | 87⅛ | 88 | | 8.71 |
| NIPPON TEL & TEL 5 7/8 96 | 50000 | 89⅛ | 89½ | | 8.21 |
| NORWAY 5 1/8 95 | 50000 | 88 | 88¼ | | 8.40 |
| SWEDEN 5 5/8 95 | 20000 | 88⅞ | 89⅜ | | 8.44 |
| WORLD BANK 6 3/4 00 | 50000 | 91½ | 91¾ | | 8.06 |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| COUNCIL EUROPE 7 94 LFr | 600 | 92¼ | 92¾ | | 9.94 |
| KREDIETBANK 7 93 LFr | 1000 | 92¾ | 93¼ | | 10.00 |
| WORLD BANK 8 96 LFr | 1000 | 92½ | 93½ | | 9.78 |
| AMRO BANK 6 1/4 92 Fl | 150 | 94⅝ | 95¼ | | 9.45 |
| RABOBANK 5 3/4 93 Fl | 150 | 92 | 92½ | | 9.54 |
| ALBERTA PROVINCE 10 92 C$ | 500 | 97⅛ | 98 | | 12.39 |
| BCE INC 9 5/8 93 C$ | 300 | 95½ | 95⅞ | -⅛ | 11.64 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| FLOATING RATE NOTES | Issued | Bid | Offer | C.cpn |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| CONVERTIBLE BONDS | Issued | Conv. price | Bid | Offer | Prem. |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | +25.90 |
| ASDA-MFI 4 3/4 02 £ | 100 | 1.64 | 105⅛ | 106¼ | +40.51 |
| BURTON GROUP 4 3/4 01 £ | 110 | 3.15 | 104⅞ | 106 | |
| EASTMAN KODAK 6 3/8 01 | 300 | 50.67 | 97¼ | 98¼ | +16.95 |
| GOODYEAR TIRE 6 7/8 03 | 150 | 80¼ | 67⅞ | 68⅜ | |
| GRACE (WR) 6 1/4 02 | 150 | 42¼ | 76¼ | 77⅝ | +36.63 |
| GRAND MET 6 1/4 02 £ | 100 | 6.58 | 86¼ | 87½ | +4.63 |
| HAWLEY 6 02 PREF | 400 | 1.91 | 106 | 107¼ | +16.00 |
| HILLSDOWN 4 1/2 02 £ | 150 | 4.16 | 99¼ | 100⅛ | +62.32 |
| INTL PAPER 5 3/4 02 | 200 | 68½ | 84¼ | 85⅛ | +24.78 |
| LAND SECS 6 3/4 02 £ | 64 | 6.72 | 76⅛ | 77⅛ | +9.27 |
| METAL BOX 5 3/4 02 £ | 65 | 1.93 | 72½ | 75 | -0.23 |
| MITSUBISHI BK 1 3/4 02 | 300 | 2727.1 | 73 | 75 | +1.99 |
| OGDEN 6 02 | 85 | 39.077 | 75 | 76⅛ | +51.27 |
| PACIFIC DUNLOP 6 3/4 97 | 75 | 3.749 | 103⅛ | 104⅛ | +1.58 |
| TEXAS INSTRUMENTS 2 3/4 02 | 300 | 82⅞ | 77⅛ | 78⅛ | |
| THORN EMI 5 3/4 04 £ | 103 | 7.45 | 99¼ | 100¼ | +21.61 |

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

## INTERNATIONAL CAPITAL MARKETS

# German investors snap up floating-rate DM300m deal

**By Simon London**

STRONG demand for D-Mark floating-rate paper was underlined by the progress of a deal for Province of Saskatchewan launched by CSFB Effectenbank, the Frankfurt institution.

The initial DM300m offering was snatched up by German institutional investors and later lifted to DM400m.

The 10-year paper carries a generous spread of 20 basis points over the six-month London interbank offered rate, attracting buyers into the market against a background of increasing pressure on the Bundesbank to raise interest rates.

Next week the East German Staatsbank is expected to launch a further tranche of floating-rate paper, following its DM6bn issue earlier this month. The Staatsbank has raised DM24bn from the sector this year.

The issue was the first for the Province of Saskatchewan since last year's Canadian dollar deal. According to Mr Bill Jones, Province Treasurer, the decision to tap the D-Mark sector was prompted by an attractive swap opportunity. The proceeds will be swapped into fixed-rate Canadian dollars.

The lead manager reported the bonds trading at 99.75.

### INTERNATIONAL BONDS

comfortably within full fees of 35 basis points.

BAA, the UK airports operator, made its début on the Euromarkets with a Y15bn floating-rate deal through its offshore subsidiary British Airports Finance BV, with Daiwa Europe as lead manager.

In July BAA diversified its short-term borrowings by launching a US commercial paper programme. The bonds pay 10 basis points over six-month Libor and are targeted at a group of Japanese investors, although the lead manager reported additional interest from European investors.

Finnish financial institution **Skopbank** offered a Y5bn 10-year issue via NKK (Europe). The bonds carry a coupon paid in yen but fixed according to the Australian dollar rate. Redemption and principal is also in yen.

Crédit Local de France came to market with its second fungible Ecu deal of the week. Yesterday's offering was of Ecu100m three-year paper fungible with an existing Ecu125m issue, launched by Crédit Lyonnais. The new paper offered a yield pick-up of about 20 basis points over the original offering and the lead manager reported steady demand from European fund managers switching defensively into shorter-dated paper. The deal was bid at less 1.35 bid, just inside full fees of 1⅞ points.

# French bank takes stake in Spanish brokerage

**By Tom Burns in Madrid**

CREDIT LYONNAIS has followed up its recent purchase of a medium-sized Spanish retail bank with the acquisition of a big stake in a Madrid brokerage.

In a move that underlines the growing internationalisation of the Madrid bolsa and the increasingly Gallic flavour of business in Spain, Crédit Lyonnais has bought 40 per cent of Iberagentes with an option to raise its equity to 50 per cent in 1992.

In July Crédit Lyonnais acquired Banco Comercial Español, a subsidiary of Banco de Santander which has a nationwide network of 11 branches.

Crédit Lyonnais has branches in important Spanish cities.

Iberagentes, which accounts for about 2.5 per cent of the Madrid floor's trading volume, is the second bolsa member in two weeks to invite a French bank into its business.

Earlier this month Société Générale acquired 40 per cent of Interdealers, a smaller Madrid broking house.

Crédit Lyonnais' determined moves into Spain mirror those of other top French corporations in recent months. Big investments have brought Elf Aquitaine into Cepsa, Spain's top privately owned oil company, Bouygues into Dragados y Construcciones, the leading domestic construction group, and Lafarge Coppée into Asland, the big Spanish cement producer.

# Bonn rejects call for Tokyo placing

**By David Marsh in Bonn**

JAPANESE securities houses have lobbied the West German Government for special D-Mark bond issues tailored to Japanese investors to finance German unity, confirmed Mr Horst Köhler, State Secretary at the Bonn Finance Ministry, yesterday.

However, Bonn had turned down the idea as it did not want to give the impression that it was "sucking away capital" from other regions of the world, he said.

Mr Köhler said Nomura Securities and other Japanese investment houses had brought up the idea of special "Japanese placements" of D-Mark debt.

This follows heavily increased German government borrowing in the last few months, both to cover the central budget deficits of East and West Germany and to top up the German Unity Fund launched in the summer.

Commenting on the latest borrowing by Bonn through promissory notes, or *Schuldscheindarlehen* – the first such issues since 1984 – Mr Köhler said the Government had turned to these instruments to increase borrowing flexibility. However, he said there were "limits" to use of such borrowing vehicles.

"We do not want to exaggerate," he said.

The Finance Ministry has recently issued about DM3bn of promissory notes for the German Unity Fund, and more than DM6bn on behalf of the East German Government, borrowing for which is being managed by Bonn in the run-up to full unity on October 3.

Promissory notes form a "grey area" of borrowing directly from banks at home and abroad, outside normal publicly traded bond and note issues.

Mr Köhler drew attention to the consequences for world capital markets of the fall in West Germany's current account deficit, which is running at levels roughly 20 per cent below last year's figures.

West Germany could not be blamed for cutting capital exports to the rest of the world, since the reduction of the current account surplus – last year a record DM104bn – had long been demanded internationally, Mr Köhler pointed out.

# Exchanges to work on differences

**By Deborah Hargreaves**

LONDON'S two major derivatives exchanges plan to complete a merger by the end of January as long as they can resolve differences in the clearing systems of the two exchanges, Mr Michael Jenkins, chief executive of the London International Financial Futures Exchange, said yesterday.

In July, the Liffe and the London Traded Options Market announced their intention to merge by the end of the year, but they have since found the two exchanges' trading systems more difficult to combine than had been envisaged.

The two exchanges expect to issue a prospectus offering new shares in the combined market in November. But before shares are offered, the exchanges must resolve disparities in the clearing systems of the two markets.

The two exchanges are planning to adopt Liffe's methods of clearing for the joint market, but in doing so they have to appease institutional members of LTOM who are concerned about what happens to their payments of stock as collateral to the exchange clearing house.

At Liffe, members put up cash or other instruments as collateral with clearing members which are generally banks, and the process for clearing trades is a lot less complex.

If the questions surrounding clearing can be resolved, the markets hope finally to become one by early next year, although exchange staff will be working together much before then.

# Malaysia taps fresh investor base

**By Tracy Corrigan**

MALAYSIA'S first Yankee bond issue, a $200m deal via Salomon Brothers, allows it to tap a fresh investor base. Malaysia first tapped the Eurobond market last year.

A Yankee is a dollar-denominated bond issued by a foreign borrower in the US market.

Along with the Kingdom of Thailand, which brought a Yankee bond issue in 1989, Malaysia is the only entity rated less than double-A to have tapped the sector. Malaysia's debt is rated A3 by Moody's and A minus by Standard & Poor's.

It is a market which Salomon Brothers believes will develop, although only a fraction of an already-limited base of Yankee bond investors will buy such debt. One European and several Asian countries, as well as some government-sponsored agencies, all rated below Double-A, are looking at the market.

Although Malaysia has issued debt in Europe and the Far East, it has tended to be held by financial institutions which asset-swap the paper. Investors in Yankee bonds, on the other hand, are US fund managers. A further incentive to tap the sector is its capacity to absorb longer-dated debt.

Malaysia's 10-year deal, priced late on Wednesday, carries a 9⅝ per cent coupon to yield 115 basis points more than 10-year Treasury notes.

# Christiania drops merger plan

**By Karen Fossli in Oslo**

CHRISTIANIA, Norway's second biggest bank, yesterday abandoned plans to merge with Realkreditt, Norway's biggest mortgage institution, following Finance Ministry changes to the original conditions agreed between the two groups.

The merger, announced last month, was contingent on approval by Norwegian authorities for Realkreditt to convert to corporate status and acceptance of the creation of Realkreditt Foundation, which was to own the majority of shares in Realkreditt Holding.

The complex merger between the two was meant to establish a powerful financial group, which would have later included insurance business, possibly through an acquisition. The merger was also meant to complete the central plank in Christiania's strategy to strengthen its competitive capability ahead of 1992.

However, shareholders in Realkreditt became disgruntled over the formation of the board for the Realkreditt Foundation, which called for 20 members: eight borrowers, eight lenders and four employees.

Realkreditt shareholders wanted the Foundation's board to be comprised solely of borrowers, a demand which Finance Ministry officials supported.

Christiania said yesterday that, should Finance Ministry officials reverse their decision about the formation of the Foundation's board, they would re-enter the merger agreement based on the original conditions.

Two holding companies had made an offer to shareholders in Christiania bank and Realkreditt to exchange existing ordinary and free shares for shares in the two new companies on a one-for-one basis.

This was contingent on acceptance by a minimum of 90 per cent of the share ownership in each company. Thereafter, the two companies were meant to merge under a proposal which called for an exchange of 1.25 ordinary shares in Christiania for each share in Realkreditt, a ratio which would have comprised a least a value of NKr150 a share in Realkreditt Holding II, with Christiania becoming the holding company for the new group.

## NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Mutoh Ind.(a)# | 100 | (5⅛) | 100 | 1994 | 2¼/1½ | New Japan Secs. |
| Mitsubishi Bk(c)†◆ | 900 | (c) | 100 | 2000 | 30/15bp | Mitsubishi Fin.Int. |
| **D-MARKS** | | | | | | |
| Prov.of Saskatchewan(b)† | 400 | (b) | 100 | 1997 | 35/17.5bp | CSFB Effectenbank |
| **SWISS FRANCS** | | | | | | |
| Houtoku Co.(d)**§ | 25 | 4¾ | 100 | 1995 | - | Nomura Bk (Swiss) |
| **FRENCH FRANCS** | | | | | | |
| In'finance Cr.Nat.(e)◆ | 500 | 10¼ | 100¼ | 1993 | 1⅛/⅞ | CCF |
| **ECUs** | | | | | | |
| Credit Local de France(f)◆ | 100 | 10⅞ | 100⅞ | 1993 | 1⅛/⅞ | Credit Lyonnais |
| **YEN** | | | | | | |
| British Airports Fin.(g)†◆ | 15bn | (g) | 100 | 1996 | 25/15bp | Daiwa Europe |
| Skopbank(h)◆ | 5bn | (h) | 95⅞ | 2000 | 1⅞/1⅛ | NKK Europe |

**Private placement. §Convertible. †Floating rate note. #With equity warrants. ◆Final terms. a) Non-callable. b) Coupon pays 6-month Libor plus 20bp. Non-callable. c) Issue launched 10/9/90. Amount increased from $800mn. Issue in form of Loan Participation Certs.Issued via Salamon Bros.AG. Coupon pays 3-month Libor plus 25bp for first 5 years, then 3-month Libor plus 35bp thereafter. Callable after 5 years on each coupon payment date at par. d) Put option 31/5/93 at 110⅞% to yield 8.409%. e) Fully fungible with existing Ffr1.5bn deal from 22/10/90. f) Fully fungible with existing Ecu125mn deal from 22/10/90. g) First coupon pays 3-month Libor, then 6-month Libor plus 10bp thereafter. Callable at par on 25/1/94. h) Dual currency issue. Coupon will be fixed according to Australian dollar rate, 2 days prior to coupon date.

# Morgan Stanley forms LDC debt unit

**By Simon London**

MORGAN Stanley, the US investment banking group, has formed a less developed country debt unit to focus on the trading and securitisation of LDC debt and on financing for the public and private sector in developing countries.

The unit, a team of six from rival investment bank Dillon, Read, will become part of Morgan Stanley's Fixed Income Division.

The team is headed by Mr Jay Newman and Mr Keith Fogerty, who pioneered the development of the secondary market for LDC debt at Shearson Lehman Hutton in the early 1980s. The move to Morgan Stanley is the team's second within a year, since they left Shearson Lehman to join Dillon, Read only in 1989.

Mr John J. Mack, head of Morgan Stanley's fixed income operations, commented that the new unit would allow the bank to work with governments across the range of investment banking, asset management and secondary market activities.

## US mutual fund sets up paper programme

EATON VANCE Prime Rate Reserves, a US mutual fund, has established a $300m commercial paper programme. It is the first such programme established by a mutual fund investing in bank loan interests, according to Moody's Investors Service, AP-DJ reports from Boston.

Eaton Vance said the programme would provide low-cost funds to "efficiently manage the unpredictable cash flows associated with a portfolio of bank loan interests."

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES



| EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section | Thursday September 20 1990: Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act. at (25%) | Est. P/E Ratio (Net) | xd adj. 1990 to date | Wed Sep 19: Index No. | Tue Sep 18: Index No. | Mon Sep 17: Index No. | Year ago (approx): Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (195) | 662.65 | -3.6 | 16.91 | 7.05 | 7.25 | 25.75 | 687.45 | 690.83 | 703.83 | 989.76 |
| 2 Building Materials (26) | 812.99 | -3.7 | 18.57 | 7.44 | 6.64 | 33.60 | 844.48 | 846.25 | 866.99 | 1194.58 |
| 3 Contracting, Construction (36) | 1004.29 | -3.9 | 22.05 | 7.94 | 5.93 | 42.06 | 1045.23 | 1062.49 | 1076.03 | 1600.13 |
| 4 Electricals (10) | 1831.99 | -3.1 | 15.35 | 7.28 | 7.97 | 64.89 | 1891.33 | 1878.29 | 1916.02 | 2920.80 |
| 5 Electronics (27) | 1522.48 | -0.8 | 10.77 | 5.28 | 12.63 | 55.67 | 1534.80 | 1531.40 | 1542.63 | 2179.57 |
| 6 Engineering-Aerospace (8) | 402.60 | -2.8 | 16.72 | 5.98 | 7.19 | 10.79 | 414.30 | 412.74 | 424.22 | 0.00 |
| 7 Engineering-General (46) | 364.97 | -5.4 | 16.40 | 7.11 | 7.34 | 14.07 | 385.96 | 390.45 | 396.76 | 0.00 |
| 8 Metals and Metal Forming (6) | 387.81 | -3.9 | 29.76 | 8.68 | 4.09 | 17.02 | 403.40 | 403.28 | 409.47 | 522.28 |
| 9 Motors (13) | 265.36 | -5.8 | 20.23 | 8.90 | 5.75 | 13.91 | 281.67 | 284.45 | 283.44 | 373.47 |
| 10 Other Industrial Materials (23) | 1105.20 | -4.7 | 15.58 | 7.40 | 7.42 | 40.92 | 1159.10 | 1170.07 | 1194.19 | 1813.31 |
| 21 CONSUMER GROUP (178) | 1136.59 | -2.3 | 10.93 | 4.54 | 11.31 | 26.11 | 1162.77 | 1161.47 | 1174.06 | 1374.15 |
| 22 Brewers and Distillers (22) | 1389.74 | -2.1 | 11.31 | 4.19 | 10.71 | 30.61 | 1419.05 | 1425.95 | 1452.92 | 1515.06 |
| 25 Food Manufacturing (20) | 978.78 | -1.9 | 11.93 | 4.99 | 10.34 | 24.47 | 997.26 | 990.94 | 1000.80 | 1195.88 |
| 26 Food Retailing (16) | 2262.88 | -5.7 | 10.49 | 3.69 | 12.13 | 45.88 | 2398.63 | 2400.41 | 2397.98 | 2651.58 |
| 27 Health and Household (16) | 2303.21 | -0.9 | 7.72 | 3.23 | 15.30 | 29.07 | 2324.15 | 2311.48 | 2347.24 | 2614.04 |
| 29 Leisure (32) | 1120.33 | -3.6 | 13.36 | 5.57 | 9.06 | 36.39 | 1161.86 | 1166.30 | 1178.94 | 1810.03 |
| 31 Packaging & Paper (12) | 481.79 | -1.6 | 13.36 | 7.22 | 9.19 | 20.57 | 489.44 | 486.40 | 488.70 | 602.67 |
| 32 Publishing & Printing (16) | 2960.70 | -2.2 | 12.29 | 6.34 | 10.20 | 117.68 | 3026.84 | 3016.95 | 3038.33 | 3834.34 |
| 34 Stores (33) | 736.54 | -1.5 | 12.08 | 5.14 | 10.75 | 17.19 | 747.62 | 747.69 | 752.96 | 884.80 |
| 35 Textiles (11) | 398.15 | -1.8 | 15.14 | 9.05 | 8.36 | 19.76 | 405.47 | 404.10 | 406.91 | 586.98 |
| 40 OTHER GROUPS (107) | 949.24 | -2.2 | 13.39 | 6.28 | 9.03 | 30.13 | 970.51 | 974.18 | 995.89 | 1215.13 |
| 41 Agencies (16) | 1077.93 | -5.3 | 9.49 | 3.64 | 12.74 | 20.34 | 1138.74 | 1128.85 | 1162.67 | 1578.01 |
| 42 Chemicals (24) | 957.43 | -2.1 | 13.92 | 6.94 | 8.48 | 44.26 | 977.81 | 980.72 | 1001.23 | 1333.16 |
| 43 Conglomerates (15) | 1239.16 | -3.4 | 13.61 | 8.05 | 8.83 | 34.46 | 1282.74 | 1279.47 | 1317.53 | 1733.51 |
| 44 Transport (13) | 1818.67 | -2.6 | 13.36 | 5.81 | 9.49 | 50.29 | 1867.24 | 1860.59 | 1901.01 | 2437.10 |
| 46 Telephone Networks (2) | 1063.82 | -1.3 | 12.58 | 5.29 | 10.34 | 26.09 | 1078.07 | 1099.50 | 1133.01 | 1100.41 |
| 47 Water (10) | 1961.78 | -1.4 | 15.72 | 6.90 | 7.15 | 68.12 | 1989.45 | 1975.17 | 1960.70 | 0.00 |
| 48 Miscellaneous (27) | 1463.87 | -1.1 | 14.36 | 6.19 | 7.99 | 61.26 | 1479.72 | [illegible] | 1501.33 | 1965.85 |
| 49 INDUSTRIAL GROUP (480) | 963.18 | -2.5 | 13.00 | 5.62 | 9.42 | 28.08 | 988.22 | 989.93 | 1005.90 | 1246.58 |
| 51 Oil & Gas (20) | 2447.33 | -0.5 | 10.20 | 5.11 | 12.83 | 72.16 | 2458.66 | 2454.65 | 2453.28 | 2246.23 |
| 59 500 SHARE INDEX (500) | 1083.18 | -2.2 | 12.92 | 5.54 | 9.07 | 31.65 | 1107.39 | 1108.68 | 1123.47 | 1331.43 |
| 61 FINANCIAL GROUP (107) | 639.57 | -3.8 | - | 7.43 | - | 29.35 | 664.93 | 662.24 | 676.40 | 815.61 |
| 62 Banks (9) | 663.00 | -5.8 | 24.65 | 8.66 | 5.31 | 41.50 | 704.16 | 696.79 | 719.82 | 837.02 |
| 65 Insurance (Life) (7) | 1280.95 | -1.4 | - | 5.99 | - | 37.79 | 1298.50 | 1298.43 | 1318.35 | 1213.82 |
| 66 Insurance (Composite) (6) | 552.72 | -2.5 | - | 7.68 | - | 24.94 | 566.94 | 565.64 | 575.28 | 670.42 |
| 67 Insurance (Brokers) (8) | 778.98 | -1.2 | 11.50 | 8.27 | 11.37 | 39.82 | 788.72 | 788.62 | 801.41 | 987.28 |
| 68 Merchant Banks (7) | 337.42 | -1.9 | - | 6.02 | - | 11.93 | 344.03 | 344.33 | 348.52 | 402.83 |
| 69 Property (47) | 845.75 | -4.1 | 8.99 | 5.81 | 14.75 | 23.74 | 881.88 | 885.67 | 896.02 | 1345.06 |
| 70 Other Financial (23) | 243.00 | -1.4 | 11.17 | 7.29 | 11.76 | 9.88 | 246.53 | 245.03 | 246.83 | 366.33 |
| 71 Investment Trusts (66) | 1001.20 | -1.9 | - | 3.94 | - | 23.74 | 1020.96 | 1027.27 | 1040.42 | 1271.96 |
| 91 Overseas Traders (5) | 1104.22 | -7.6 | 13.04 | 8.35 | 9.12 | 59.65 | 1195.05 | 1230.75 | 1254.89 | 1461.21 |
| 99 ALL-SHARE INDEX (678) | 976.33 | -2.4 | - | 5.76 | - | 30.76 | 1000.73 | 1001.50 | 1015.99 | 1206.32 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Sep 19 | Sep 18 | Sep 17 | Sep 14 | Sep 13 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX‡ | 2016.9 | -48.9 | 2069.2 | 2015.3 | 2065.8 | 2064.0 | 2094.3 | 2093.8 | 2127.1 | 2380.9 |

### FIXED INTEREST

| PRICE INDICES | Thu Sep 20 | Day's change % | Wed Sep 19 | xd adj. today | xd adj. 1990 to date |
|---|---|---|---|---|---|
| **British Government** | | | | | |
| 1 Up to 5 years | 115.98 | +0.06 | 116.16 | 0.25 | 9.48 |
| 2 5-15 years | 120.40 | +0.17 | 120.34 | 0.15 | 9.95 |
| 3 Over 15 years | 121.10 | +0.23 | 120.82 | - | 9.84 |
| 4 Irredeemables | 139.43 | -0.11 | 139.59 | - | 8.85 |
| 5 All stocks | 120.81 | +0.14 | 120.81 | 0.17 | 9.88 |
| **Index-Linked** | | | | | |
| 6 Up to 5 years | 151.76 | +0.22 | 151.42 | - | 2.46 |
| 7 Over 5 years | 138.09 | +0.28 | 137.70 | - | 3.12 |
| 8 All stocks | 139.00 | +0.28 | 138.62 | - | 3.06 |
| 9 Debentures & Loans | 99.65 | +0.31 | 99.34 | - | 8.62 |
| 10 Preference | 73.59 | -0.01 | 73.60 | - | 4.58 |

| AVERAGE GROSS REDEMPTION YIELDS | | Thu Sep 20 | Wed Sep 19 | Year ago (approx.) |
|---|---|---|---|---|
| **British Government** | | | | |
| 1 Low | 5 years | 11.06 | 11.02 | 9.81 |
| 2 Coupons | 15 years | 11.05 | 11.03 | 9.38 |
| 3 | 25 years | 11.05 | 11.02 | 9.27 |
| 4 Medium | 5 years | 12.09 | 12.10 | 10.74 |
| 5 Coupons | 15 years | 11.54 | 11.58 | 9.79 |
| 6 | 25 years | 11.25 | 11.29 | 9.41 |
| 7 High | 5 years | 12.19 | 12.20 | 10.85 |
| 8 Coupons | 15 years | 11.82 | 11.86 | 9.99 |
| 9 | 25 years | 11.57 | 11.61 | 9.57 |
| 10 Irredeemables | † | 11.14 | 11.13 | 9.31 |
| **Index-Linked** | | | | |
| 11 Inflation rate 5% | Up to 5yrs. | 4.58 | 4.67 | 3.16 |
| 12 Inflation rate 5% | Over 5 yrs. | 4.32 | 4.34 | 3.54 |
| 13 Inflation rate 10% | Up to 5 yrs. | 3.34 | 3.42 | 2.30 |
| 14 Inflation rate 10% | Over 5 yrs. | 4.13 | 4.14 | 3.37 |
| 15 Debs & | 5 years | 13.93 | 13.96 | 12.95 |
| 16 Loans | 15 years | 13.02 | 13.07 | 12.02 |
| 17 | 25 years | 12.70 | 12.74 | 11.50 |
| 18 Preference | † | 12.92 | 12.92 | 10.37 |

‡Opening index 2069.2; 9 am 2062.7; 10 am 2054.2; 11 am 2040.7; Noon 2045.5; 1 pm 2045.3; 2 pm 2034.1; 3 pm 2025.3; 4 pm 2017.1; 4.10 pm 2016.1; (a) 8.30am (b) 4.19pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 52 | 11 | 34 |
| Corporations, Dominion and Foreign Bonds | 5 | 0 | 17 |
| Industrials | 132 | 820 | 613 |
| Financial and Properties | 78 | 416 | 347 |
| Oils | 26 | 34 | 29 |
| Plantations | 0 | 2 | 8 |
| Mines | 49 | 24 | 86 |
| Others | 83 | 63 | 94 |
| Totals | 425 | 1,370 | 1,128 |

### LONDON RECENT ISSUES

#### EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1990 High | 1990 Low | Stock | Closing Price p | +or- | Net Div. | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | - | 131 | 101 | ABI Leisure 10p | 101 | -2 | 4.7 | 3.3 | 6.2 | 6.6 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1990 High | 1990 Low | Stock | Closing Price £ | +or- |
|---|---|---|---|---|---|---|---|
| [illegible] | F.P. | [illegible] | [illegible] | [illegible] | Perkins Foods 8p (Net) Cv Rd Pf | [illegible] | [illegible] |
| [illegible] | F.P. | [illegible] | [illegible] | [illegible] | Rank Org. 8.25p (Net) Cv Cm Rd Pf 20p | [illegible] | [illegible] |
| [illegible] | F.P. | - | 112p | 107½ | Reckitt & Colman 9.5pc Cv Bds 2005 | 107½ | -2 |
| 100 | F.P. | - | 107¾ | 101¼ | Tesco Capital 9pc Cv Cap. Bd. 2005 | [illegible] | [illegible] |
| 100p | F.P. | - | 105p | 60p | Wyndham Group 9.375pc Cm. Pf | 60p | -10 |
| - | F.P. | - | 55p | 33p | York Trust 8.5p (Net) Rd Cv Pf 20p | 33p | -2 |

### RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1990 High | 1990 Low | Stock | Closing Price p | +or- |
|---|---|---|---|---|---|---|---|
| 27 | Nil | - | 2pm | ½pm | BETS 10p | 2pm | +1½ |
| 29 | Nil | - | [illegible] | [illegible] | G. C. Flooring 10p | [illegible] | |
| 198 | Nil | - | 10pm | [illegible] | Great Western Resources | [illegible] | |
| 110 | Nil | 15/10 | [illegible] | [illegible] | Kingston Oil & Gas 50p | [illegible] | |
| 220 | 55 | 23/7 | 86 | 35 | Rotaers | 58 | -3 |
| 2 | Nil | - | [illegible] | [illegible] | Regina Health 2p | [illegible] | |
| 5 | Nil | - | [illegible] | [illegible] | Spectrum 5p | [illegible] | -¼ |
| [illegible] | Nil | 25/9 | 2pm | [illegible] | Wentworth Intl. 10p | [illegible] | |

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. R Dividend and yield based on prospectus or other official estimates for 1989/90. G Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¤ Unlisted securities market. * Third Market. ¢ Issued in connection with reorganisation, merger or takeover.

### TRADITIONAL OPTIONS

- First Dealings: Sept. 17
- Last Dealings: Sept. 28
- Last Declarations: Dec. 27
- For settlement: Jan. 7

*For rate indications see end of London Share Service*

Calls in Control Secs., Conroy Pet., Cookson, Bula Res., Ford Seller Morris Props., Oliver Res., Polly Peck and Rosehaugh. Puts in Futura and Midland Bank. Put and call in Polly Peck.

### LONDON TRADED OPTIONS

DEALERS moved rapidly into the derivative markets yesterday in an attempt to protect themselves from the effect of a crumbling equity market.

Analysts spoke of "disaster insurance" on the London Traded Options Market and sellers in the Liffe had to knock down prices to get buyers before prices fell again.

The Liffe was led by the slide in the underlying equity market for most of the day. Then, in the afternoon, the S & Ps in America collapsed by the equivalent of 15-20 points against the Dow and the September FT-SE futures contract dropped back from a nervous but stable parity to a 10-point discount where it closed.

BZW said bearish traders were selling rather than buying December FT-SE issues and the spread between the two issue narrowed from 54 points last week to 44.

Analysts at UBS Phillips & Drew said the futures liquidity was surprisingly good but because of heavy pressure on quick sales dealers were finding they had to reduce prices by a couple of points.

The September FT-SE Future closed at 2,006 on a heavy turnover of 8,842 and the December issue closed at 2,050 with a turnover of 3,318.

In the London Traded Options Market the total turnover of 45,242 gave an understated impression of the genuine activity as traders desperate to offload puts found they were unable to sell.

BZW resorted to buying calls throughout the equity range and the index. Mr Steve Lindsey of UBS Phillips & Drew said: "Brokers were frustrated by attempts to buy near-month out of the money puts as disaster insurance. There was an atmosphere of panic." There were 16,228 FT-SE options traded, the majority of them (12,990) puts. The top equity performer was Trusthouse Forte with a turnover of 2,951, mainly in anticipation of poor results next week. Business in Polly Peck was heavy

| Option | | Calls Oct | Calls Jan | Calls Apr | Puts Oct | Puts Jan | Puts Apr |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*445) | 420 | 33 | 50 | 65 | 5 | 16 | 18 |
| | 460 | 11 | 27 | 43 | 22 | 31 | 35 |
| | 500 | 3 | 12 | 27 | 57 | 58 | 60 |
| ASDA (*114) | 100 | 18 | 22 | - | 2 | 4½ | - |
| | 110 | 8 | 16 | 19 | 3½ | 7 | 8 |
| | 120 | 3½ | 11 | 14 | 9 | 12 | 16 |
| Brit. Airways (*150) | 140 | 16 | 19 | [illegible] | 5 | 7 | 10 |
| | 160 | 4½ | 9 | 13 | 15 | 17 | 20 |
| | 180 | 1½ | 4½ | 7 | 31 | 33 | 34 |
| Utd. Biscuits (*317) | 300 | 22 | 36 | 42 | 5 | 10 | 14 |
| | 330 | 5 | 16 | 24 | 23 | 23 | 29 |
| | 360 | 1½ | 6 | 14 | 50 | 50 | 50 |
| Unilever (*597) | 600 | 23 | 52 | 65 | 14 | 28 | 38 |
| | 650 | 7 | 36 | 42 | 57 | 60 | 67 |
| | 700 | 3 | 13 | 25 | 107 | 107 | 107 |
| Ultramar (*358) | 330 | 32 | 53 | 65 | 3 | 10 | 13 |
| | 360 | 20 | 33 | 45 | 13 | 20 | 25 |
| | 390 | 4 | 20 | 30 | 37 | 40 | 40 |

| Option | | Calls Dec | Calls Mar | Calls Jun | Puts Dec | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|---|
| Abbey Nat. (*203) | 200 | 17 | 23 | 28 | 7 | 11 | 14 |
| | 220 | 7 | 12 | 16 | 19 | 19 | 22 |
| Amstrad (*52) | 50 | 8 | 11 | 13 | 4 | 6½ | 8 |
| | 60 | 3 | 6 | 7½ | 11 | 12 | 13 |
| Barclays (*300) | 300 | 25 | 30 | 38 | 15 | 25 | 37 |
| | 330 | 12 | 22 | 22 | 33 | 40 | 45 |
| Blue Circle (*183) | 180 | 18 | 26 | 28 | 9 | 12 | 14 |
| | 200 | 10 | 16 | 19 | 21 | 22 | 24 |
| British Gas (*217) | 200 | 27 | 31 | 39 | 4 | 6 | 8 |
| | 220 | 13 | 18 | 25 | 9 | 12 | 14 |

[illegible]

## UK COMPANY NEWS

Optimistic mood as a stream of new drugs are set to enter market

# Glaxo improves 13% to £1.14bn

By Clive Cookson

IN SPITE of adverse currency fluctuations, Glaxo, the world's second largest pharmaceutical group, raised pre-tax profits for the year to the end of June by 13 per cent to £1.14bn. Turnover increased 11 per cent to £2.85bn.

The results, announced yesterday, were at the top end of City forecasts and were accompanied by optimistic comments by Sir Paul Girolami, chairman, about a stream of new drugs which will come on the market during the early 1990s. The share price eased 5p to 716p.

"We are embarking on perhaps the most ambitious product launch programme ever undertaken in our industry," Sir Paul said.

Currency fluctuations, notably the strength of sterling during May and June, had an adverse impact on the group. Glaxo said its underlying growth at constant exchange rates was 17 per cent on turnover and 20 per cent on trading profit.

Glaxo is highly dependent on Zantac, its anti-ulcer medicine which is by far the world's best selling prescription drug. Zantac sales rose by 9 per cent during the year to £1.4bn; they represent about half the company's turnover.

Sir Paul said that he expected Zantac's share of the world's anti-ulcer market gradually to decline over the next few years, though the value of its sales would continue to rise.In five years time 35 per cent of Glaxo revenues would come from Zantac, he predicted.

Alan Harper

Glaxo chief executive Ernst Mario: expects R&D expenditure this year to reach £500m

Glaxo launched two new products, Zofran (to prevent sickness in cancer therapy) and Flixonase (a hay fever treatment), in their first markets during the year and filed registration documents for three more: Lacipil (for high blood pressure), Serevent (asthma) and Imigran (migraine). The company has particularly high hopes for Imigran, Serevent and Zofran.

Dr Ernest Mario, chief executive, said yesterday that Glaxo would be able to file for a product license for Serevent in the US early in 1991 – a year earlier than planned – because the Food and Drug Administration had unexpectedly agreed to accept European clinical data for the drug. Further clinical trials of Serevent in the US would therefore be unnecessary.

Spending on research and development leapt by £76m to £399m in 1989-90 and Dr Mario expects R&D expenditure this year to reach £500m. Capital expenditure was £619m (£373m) and the company has a £2.5bn capital spending plan for the four years 1991 to 1995.

Japan was the only part of the world where Glaxo performed disappointingly in 1989-90. Sales by its associated company Nippon Glaxo fell by 13 per cent to £184m, as a result of price cuts forced on all pharmaceutical suppliers by the Japanese government.

Earnings per share were 53.1p (46.2p). The final dividend is 15p, making a total for the year of 22p (17.5p).

See Lex

# Brent Walker clashes with auditor

By David Waller

KPMG PEAT Marwick McLintock, the accountancy firm which audits Brent Walker, yesterday clashed with its client over a Stock Exchange statement put out by the leisure and property group on Tuesday. Peat Marwick has resigned as auditor in relation to the dispute between Brent Walker and Grand Metropolitan.

Brent Walker is claiming a rebate from GrandMet on the £685m it paid last year for William Hill and Mecca Bookmakers. Peat Marwick said that it was "not consulted either to the use of its name or the comments" in a statement in which Brent Walker stated that Peat Marwick endorsed its view that 1988-89 profits from the two bookmakers were "substantially less" than £51m.

This is the trigger point below which the consideration could be reduced, according to the complex terms of the transaction. Brent Walker is now seeking a £160m rebate on the price paid while GrandMet is insisting on the payment of the £50m final payment due by next Tuesday.

Mr George Walker, Brent Walker's chairman and chief executive, denounced Peat Marwick's statement yesterday, saying that some weeks ago he had consulted the partner in charge of the audit over whether there were grounds for a claim against GrandMet and was told that there were.

The problem for Peat Marwick is that it audits both Brent Walker and Grand Metropolitan. Touche Ross has provided independent accounting advice to Brent Walker.

## Leigh Interests

Leigh Interests's offer for HT Hughes seemed to be heading for success after it announced yesterday that 50.05 per cent of Hughes shares were now committed to it.

On Tuesday, Leigh unveiled a recommended paper offer for its fellow waste management company. The offer was 50.3 Leigh shares for every 100 Hughes shares.

# S&N negotiates to purchase remainder of Center Parcs

By Philip Rawstorne

SCOTTISH & Newcastle, the Edinburgh-based brewer, which last year acquired 60 per cent of Center Parcs, the Dutch holiday village operator, is negotiating to buy the outstanding share capital.

Listing of Center Parcs' shares on the Amsterdam and London stock exchanges was suspended yesterday at the company's request.

The planned cash deal, at Fl 80 per share with comparable payments to the holders of Center Parcs' convertible bonds, would value the Dutch company at £454m and put the cost of the 40 per cent holding to be acquired at £180m.

But Mr Alick Rankin, S&N's chairman, said yesterday that the convertible loan stock, amounting to £90m, had already been taken into the company's balance sheet.

The £90m required to buy the ordinary shares would be funded out of S&N's own resources – which are due to be boosted by the final payment next week of £64m on the £645m sale last year of its Thistle hotel chain to Mount Charlotte.

Mr Rankin said: "Our relations with Center Parcs during the past year could not have been happier. We are delighted with the operation and believe it is a sound defensive investment."

At the time of the original acquisition, Center Parcs considered that the maintenance of its Dutch identity and character – which S&N agreed was important to its success – would be helped by the continuation of a separate listing both in London and Amsterdam.

Center Parcs now feels that this is no longer necessary and that its investment programme would be more efficiently funded if it became a wholly-owned subsidiary of S&N, while continuing to operate under its own name and existing management.

The company currently operates 12 holiday villages in the Netherlands, Belgium, France and the UK and is planning to build two more, at an estimated cost of £70m to £80m each, in West Germany and Belgium.

In the year to December 31 1989, Center Parcs reported pre-tax profits of £20.7m on turnover of £187.5m. Its unaudited interim results for the half-year to July 16 1990, published yesterday, show a profit increase of 35 per cent to £10.4m on turnover of £112.3m.

# MB evades worst of economic downturn and rises 18% to £53m

By Andrew Hill

MB GROUP, the building products and security printing group, evaded the worst of the UK economic downturn in the first half of 1990, increasing profits by 18 per cent to £53.4m before tax, against a pro forma £45.4m in the equivalent period.

But MB's shares slipped 13p to 127p in yesterday's weak market, overshadowed by Wednesday's disappointing results from CMB Packaging. MB, formerly Metal Box, has a 26 per cent stake in CMB, which was formed by a merger last year between its packaging interests and Carnaud, a French packaging company. Mr Peter Jansen, MB's chief executive, repeated the group's conviction that the CMB stake was a long-term investment.

CMB's profits were 2 per cent lower in the same six-month period, but MB's share of those profits rose from £16.2m to £17.9m.

Mr Jansen joined MB when it merged with Caradon, the building products company, a year ago. He said yesterday he was keen to draw investors' attention towards the profits increase at the building products division. Despite depression in the UK building market, MB was able to increase prices for some of its branded products, which include Everest double-glazing, and Twyfords and Stelrad Doulton bathroom products, and the division's profits rose from a pro forma £27m to £31.5m.

Security printing – principally in the US – pushed up profits from £12.2m to £14.2m.

Group turnover rose slightly from £352m to £359m and earnings increased to 8.1p (7.2p). Interim dividend is 2.75p (2p).

MB blamed the market's disappointment with CMB on exaggerated expectations of the company's results, but denied there was a rift between the British group's view of the packaging company's strategy and CMB management's view.

"Our vision doesn't have to tally with the CMB management," said Mr Jansen. "Our vision tallies with that of the other major partner [Compagnie Générale d'Industrie et de Participations, the French holding company, which has a similar-sized stake] so in the long term the vision of CMB's management will tally with that of the major shareholders – that's the way to put it."

**COMMENT**

Peter Jansen says MB is a UK and European building products business with a high-class security printing business in the US. Frustratingly for Mr Jansen and his fellow directors, most investors have focused on disappointments at CMB in recent months rather than the buoyancy of the building products operation. Strong brands like Everest and Doulton are proving more resilient than most in the depressed climate, and MB's products should benefit from the first glimmer of recovery in the housing market as people move and improve their new homes. But judging from analysts' comments yesterday, CMB is still pictured in the foreground of City views of MB, against a backdrop of economic stormclouds. Full-year profit forecasts have been reduced from more than £120m before tax to about £105m. Investors should probably hold on to the shares on a multiple of about 8 times prospective earnings.

# British Gas plans large expansion in US

By David Thomas, Resources Editor

BRITISH GAS has announced plans for a big expansion of its operations in the US as part of its strategy of creating a large exploration and production arm.

"My objective is that our exploration and production business should provide a major contribution to the company's earnings," Mr Robert Evans, chairman, told a meeting in Houston.

He set a target of oil and gas production contributing at least 20 per cent to earnings by the mid-1990s. Last year, exploration and production accounted for 13.6 per cent of operating profits of £1.1bn.

Mr Evans disclosed plans to spend $80m (£43m) in 1990-91 drilling 20 wells in the US, mainly in the Gulf of Mexico and Gulf Coast area. Last year, its US exploration expenditure was negligible.

Most of British Gas's US wells will be drilled as joint ventures with Arco and Broken Hill Proprietary. The company hopes to have its first US gas production offshore of Alabama this year. It aims to build up US gas reserves to 500bn cu ft in the next 4-5 years; last year, it had no US gas reserves.

Over the past year, British Gas has expanded its Houston office to 150 people. Houston is responsible for exploration and production in North and South America, and in Africa.

Total expenditure by Houston this financial year will be about $250m, compared with $60m-$70m last year. This year's expenditure will include over $140m on exploration.

It hopes the Miskar field in Tunisia will be the first foreign reserves which it will develop as an operator. It foresees the gas being used mainly in Tunisian power generation.

Some analysts have expressed disquiet about British Gas's plans to become more involved in risky exploration and production activities. However, Mr Evans believes there is no alternative in the face of the growing maturity of its core UK gas operations. He has previously said he wants exploration and production to be as big as its gas distribution business by the end of the decade.

# UK COMPANY NEWS

## Strong progress in higher value Scotch whisky brands

# Guinness jumps 31% to £322m

By Philip Rawstorne

GUINNESS, the international drinks group, yesterday reported interim pre-tax profits of £322m, 31 per cent higher than last time's £246m and well ahead of City expectations.

Turnover during the six months to June 30 1990 increased by 20 per cent to £1.53bn, and Mr Anthony Tennant, chairman, said that in spite of the adverse effect of the recent rise in sterling and uncertainties caused by the Gulf crisis, the group was confident of achieving the goals it had set this year.

Turnover of United Distillers, the spirits subsidiary, was 19 per cent higher at £903m (£760m) and trading profits were 26 per cent ahead at £263m (£209m).

Mr Tennant reported "strong progress" in higher value Scotch whisky brands such as Johnnie Walker Gold and Black Label, Old Parr, and Classic Malts, and announced that two more malt distilleries are to be brought back into production this year.

The company, following its policy of increased involvement in distribution, strengthened its position in North America with the acquisition of Schenley Canada, and also improved operations in Brazil and the Philippines, he said.

Guinness Brewing Worldwide increased turnover by 23 per cent to £590m (£479m) and trading profits by 54 per cent to £60m (£39m).

The buoyancy reflected the advantages of working with other international brewers – notably Carlsberg and Anheuser-Busch in the Irish market, and Heineken in Malaysia and Singapore, Mr Tennant said.

With the acquisition of All Brand Importers, Guinness now claims to be the third largest importer of beer into the US.

Group profits benefited by £56m from its 24 per cent stake in LVMH, the French champagne, cognac and luxury goods group, which has announced interim profits 23 per cent up at £131m.

Basic earnings per share rose by 32 per cent from 17.9p to 23.6p. The interim dividend is raised from 4.4p to 5.4p.

Anthony Tennant – the group is confident of achieving the goals that it had set this year

● COMMENT

With profits £10m-£20m above expectations, Guinness's strategy is being strongly sustained. On the spirits side, volumes increased 4 per cent in a market that fell overall by the same amount; and under the persuasion of the group's marketers, its customers continue to trade up to the more profitable premium and de-luxe brands. Guinness stout, now apparently appealing to more young drinkers, added 5 to 6 per cent in volumes in the UK and Irish Republic and its alliances with other international brewers continued to make progress around the world. The group claims to be fully hedged against adverse currency trends this year and expects at worst a neutral outcome after a positive £9m in the first half. In spite of acquisitions, it has reduced its net debt levels from 39 per cent to 31 per cent. On the whole, City analysts found nothing to disturb a cheerful outlook. Full year profits of £850m are forecast, putting the shares, down 11p to 669p yesterday, on a prospective p/e of 11.7 – a 20 per cent premium to the market.

# Interpublic to buy Lowe for £136m

By Alice Rawsthorn

LOWE GROUP, one of the UK's leading advertising agencies, is being taken over by Interpublic, the US marketing services group which has held a minority interest in Lowe since the early 1980s, in a deal valuing Lowe at £136m.

Interpublic is offering seven of its shares for every 25 Lowe valuing Lowe's shares at 460p. There is also a cash alternative of 425p per share. Lowe's share price, which has been depressed by sour sentiment towards the marketing sector, soared by 145p to 410p yesterday.

The City was surprised by the announcement. One analyst described the price as "more than generous", given that the dollar is relatively weak and that Lowe has debt of £12m and faces up to £40m of earn-out payments.

Mr Philip Geier, chairman of Interpublic, said the acquisition offered a "great opportunity" to give Lowe "the financial wherewithal to expand internationally". He stressed the deal would not dilute Interpublic's earnings.

Lowe, best known for its advertising campaigns for Heineken beer and Vauxhall cars, has been one of the most consistently successful UK agencies since going public six years ago. It was expected to increase pre-tax profits by 10 per cent to £22.25m this year with static earnings per share of 45p.

Interpublic, which owns the McCann-Erickson and Lintas international advertising agencies, already owns 42 per cent of Lowe's equity with 35.6 per cent of the voting rights. It is buying Lowe for a prospective p/e of 10.

Mr Frank Lowe, chairman of Lowe, said it intended to use Interpublic's support to increase its international interests – specifically in France, eastern Europe and the Asia-Pacific. The agency's plans for international expansion have been been inhibited by the sluggish state of the London stock market and high UK interest rates.

On completion Mr Lowe will join Interpublic's main board and will chair a newly created long-term planning committee. He plans to swap his 4 per cent holding in Lowe for Interpublic shares.

# APV static midway and gloomy on outlook

By Andrew Jack

APV, the food processing machinery group, struggled to return a modest rise in interim pre-tax profits to £24.6m (£24.2m) and issued a gloomy forecast for the rest of the year.

"There has been a marginal improvement in results," said Sir Peter Cazalet, chairman. "Unfortunately I cannot say I am confident of the same for the full year. We are not isolated from the downturn in the world economy."

The shares slumped 25p yesterday to 69p.

Expectations for pre-tax profits for the full year stand at between £50m and £55m, compared with £60.6m in the previous 12 months.

The six months to June 30 saw turnover rise by 17 per cent to £446.5m (£382.9m).

Margins in continuing businesses fell from 7.3 per cent to 6.5 per cent due to "difficult trading conditions and tightening competition," according to Sir Peter.

Poor trading conditions in the UK, Australasia and North America affected performance in both the dry and liquid food divisions.

Orders had dried up in China and the Soviet Union during the current uncertainties, said Mr Fred Smith, chief executive. But payments were on schedule for the £47m contract with the Soviet Union signed last year for breakfast cereal machinery.

The company's other businesses, including Vent-Axia, the ventilation fan manufacturer, and its heavy-duty escalator operation, contributed 10 per cent of turnover, against 8 per cent last time and increased margins.

However, Sir Peter said he was not satisfied with APV's cost structure, which was under detailed scrutiny.

The company was strengthening its financial controls, he revealed, with a focus on improving cash flow and the return on assets employed. Two consultants had been retained to improve productivity and reduce costs.

Earnings per share rose to 5.7p (5.4p). The interim dividend is unchanged at 2p.

## Bemrose improves

Taxable profits at Bemrose Corporation rose fractionally from £1.61m to £1.66m in the first half of 1990.

The company, which prints cheque-books, tickets, security vouchers, calendars, diaries and decorative products, said that performance had been variable across the different operations. With a share of the Midland Bank cheque contract, Bemrose is the only cheque printer with contracts for each of the big four UK clearers.

Turnover was up at £23.31m (£22.13m) though operating profits fell to £1.69m (£1.83m). However, the £90,000 share of profit from a related company (£160,000 loss) buoyed the pre-tax figure. Earnings were 6.5p (6.39p) and the interim dividend 4.3p again.

# Spring Ram bucks sector trend

By Jane Fuller

SPRING RAM Corporation, the UK's biggest bathroom and kitchen business, charged on to another set of buoyant interim results in spite the decline in house building and slackness in the home improvement market.

Pre-tax profits rose by 27 per cent to £13.02m (£10.26m) on sales of £65.22m (£52.54m) in the six months to July 6.

Among the reasons for success given by Mr Bill Rooney, chairman, was that the group had only raised prices on two of its 100 products in its 11-year history and that it provided rapid delivery, typically within 48 hours.

Over the next 3¼ years it planned to fund £85m of expansion from its own resources, involving seven new factories in Yorkshire. The £15m cash held at the end of the year was due to increase substantially this year, he said. No figure was available for interest received in the first half.

Mr Francis Galvin, chief executive of the kitchen division which includes Ram Kitchens and Chippendale Kitchens, said the UK market was worth about £1.3bn last year, so even if it contracted by 15 per cent this year there was still plenty to go at. "The market is not as bad as everyone suggests."

Spring Ram had sufficient outlets to cover the bulk of the market and benefited from low-cost production. In the tougher conditions, the smaller companies were tending to fall by the wayside.

Mr David Riley, head of the bathroom side, said that although the market had stagnated, the group was continuing to increase its share. Balterley and Spring Bathrooms accounted for 17 per cent of the 1m suites sold annually.

In the expansion plans, £55m was earmarked for the bathroom division, including a new tile plant.

Mr Rooney said the group, which had 7 per cent of turnover overseas last year, was expanding through bases in Italy, France, West Germany, Canada and the US.

Earnings per share advanced to 4.7p (3.7p) and the interim dividend is lifted to 0.144p (0.12p).

The share price gained 2p to close at 102p.



# Hornby 25% up at £1.43m

Good sales of toys and hobby products at the London Toy Fair helped Hornby Group increase its taxable profits from £1.14m to £1.43m for the six months to June 30.

Turnover rose by 25 per cent to £14.54m (£11.59m) as demand for Hornby and Fletcher products remained strong.

There was an extraordinary credit of £616,000 (nil) on the disposal of Fletcher freehold properties following its relocation.

Earnings per share work out at 11.3p (7.9p). Again there is no interim dividend.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Alumasc | fin | 5.15 | - | 5.35 | 9 | 8 |
| APV | int | 2† | Nov 9 | 2 | - | 5.4 |
| Baynes (Chas) | int | 0.4 | Nov 2 | 0.25 | - | 1 |
| Bemrose | int | 4.3 | Nov 10 | 4.3 | - | 11.3 |
| Bilston/Bat'sea§ | int | 1.75 | Nov 2 | 1.75 | - | 4.75 |
| Boustead | int | 0.55 | Jan 9 | 0.5 | - | 1.5 |
| Britannia Group | int | 1.9 | Nov 2 | 1.9 | - | 5.7 |
| Dairy Farm Intl | int | 1.35◆ | - | 1.15 | - | 0.3 |
| Dowding & Mills | fin | 1.7† | Nov 1 | 1.52 | 2.7 | 2.32 |
| Fired Earth | int | 1.625 | Nov 29 | - | - | - |
| Foseco | int | 5☆ | Jan 2 | 5 | - | 13.5 |
| Glaxo | fin | 15 | Nov 26 | 12.5* | 22 | 17.5* |
| Guinness | int | 5.4 | Nov 5 | 4.4 | - | 15.3 |
| Johnston Press | int | 1.75 | Nov 16 | 1.5 | - | 4.5 |
| Laporte | int | 6.4† | Nov 9 | 5.8 | - | 18.5 |
| Logica | fin | 2.3 | Nov 8 | 2.1 | 3.4 | 3.1 |
| MB | int | 2.75 | Oct 31 | 2 | - | 6.375‡ |
| Morrison (Wm) | int | 0.35 | Nov 5 | 0.3 | 0 | 1.3 |
| MTL Instruments§ | int | 1.2 | Oct 30 | 1 | - | 2.4 |
| Proudfoot (Alex) | int | 6 | Oct 31 | 3.5 | - | 11.25 |
| RMC | int | 6.4 | Dec 8 | 5.8 | - | 18 |
| Secure Trust | int | 3 | Nov 22 | 2.5 | - | 8.5 |
| Sindall (Wm) | int | 1.5 | Dec 6 | 1.5 | - | 6 |
| Spring Ram | int | 0.144 | Dec 7 | 0.12 | - | 0.4 |
| Westpool Inv Tst | fin | 1.85 | Nov 17 | 1.65 | 2.2 | 2.5♣ |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option. ‡For nine months. ♣Includes 0.5p special dividend. ◆US$.

## BOARD MEETINGS

TODAY

Interims- Barry Birch & Noble, Black (A&C), Breedon, Cluff Resources, Dinkie Heel, Fortnum & Mason, Global, Haden MacLellan, Ibex, Liberty, Tyndall Hldgs.

Finals- Bellwinch, China & Eastern Investment, Hidong Estate, Waterman Partnership.

FUTURE DATES

Interims-

| | |
|---|---|
| Aberdeen Petroleum | Sep 24 |
| Blockley's | Sep. 25 |
| Boddington | Sep. 26 |
| Boosey & Hawkes | Oct. 2 |
| Chepstow Racecourse | Oct. 8 |
| Dean & Bowes | Sep. 25 |
| Derwent Valley | Oct. 2 |
| Intl Inv Tst Jersey | [illegible] |
| Meyer Intl | Nov. 13 |
| Raine Industries | Oct. 2 |
| Ventura Inv Trust | Oct. 4 |
| Waterford Foods | Sep. 28 |

Finals-

| | |
|---|---|
| Beckman (A) | Oct. 2 |
| JF Pacific Warrant | Oct. 3 |
| Sinclair (William) | Oct. 10 |

هكذا من الاصل



# GLAXO SCIENCE PAYS DIVIDENDS IN MORE WAYS THAN ONE.

Photographed at The Hospital For Sick Children Great Ormond Street.

The 40,000 Glaxo employees around the world have completed another fine year.

Our sales have increased by 11% to £2,854m reflecting the international strength of the group.

Profit before tax increased by 13% to £1,140m.

Earnings per share improved by 15%, from 46.2p to 53.1p.

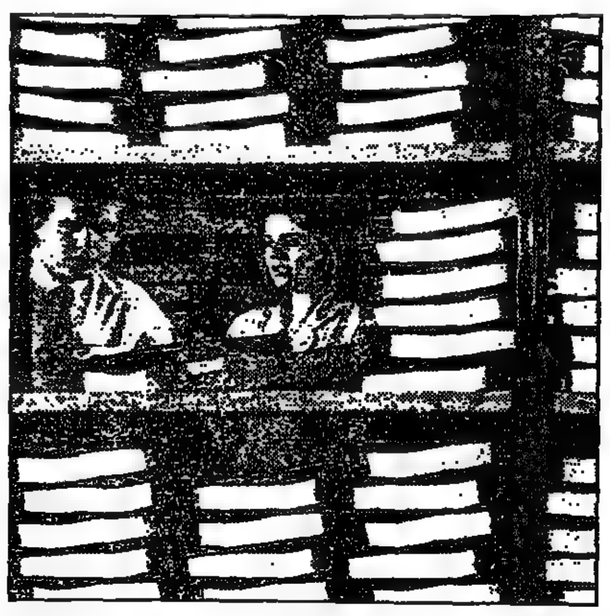
These figures demonstrate, once again, the superb achievement of our company and our employees in developing and marketing an expanding range of prescription medicines throughout the world.

Our excellence in products and marketing is confirmed by the fact that we are the only company with three products in the world's top 20 prescription pharmaceuticals.

Our commitment to the research and development of innovative medicines is equally apparent with significant new compounds for the treatment of nausea and respiratory problems now reaching patients, while those for combating migraine and asthma have been submitted for approval.

Yet important new medicines are not the only benefit that Glaxo science is bringing to society.

Research continues into new medicines in many therapeutic areas.



An application for a new medicine can involve over 100 volumes of information.

## FINANCIAL HIGHLIGHTS

*YEAR TO 30TH JUNE 1990*

| | 1990 *Unaudited* | 1989 | % *increase* |
|---|---|---|---|
| Turnover | **£2854m** | £2570m | **11** |
| Trading Profit | **£998m** | £876m | **14** |
| Profit Before Tax | **£1140m** | £1006m | **13** |
| Earnings Per Share* | **53.1p** | 46.2p | **15** |
| Dividends Per Share* | **22.0p** | 17.5p | **26** |
| Research and Development | **£399m** | £323m | **24** |
| Capital Expenditure | **£619m** | £373m | **66** |

*1989 figures have been adjusted to reflect the bonus issue in November 1989

Glaxo companies worldwide contribute increasingly to the quality of life in their local communities.

It may be donations towards hospital developments in the UK, financing a home for mentally handicapped children in North Carolina, or mobile health clinics in India.

But whatever form these programmes take, and wherever they happen to be, they result from our success in achieving sustained growth in the field of therapeutically significant medicines.

Success that will continue to pay dividends for years to come.

**Glaxo**

*WORLD LEADERS IN PHARMACEUTICALS*

COPIES OF THE 1990 ANNUAL REPORT AND ACCOUNTS WILL BE AVAILABLE FROM OCTOBER 9TH FROM: THE SECRETARY (AR), GLAXO HOLDINGS p.l.c., LANSDOWNE HOUSE, BERKELEY SQUARE, LONDON W1X 6BP.

The contents of this advertisement, for which the directors of Glaxo Holdings p.l.c. are solely responsible, have been approved for the purpose of section 57 of The Financial Services Act 1986 by an authorised person.
*The figures for the year ended 30 June 1989 are an abridged statement of the full Group accounts for that year which have been delivered to the Registrar of Companies and on which the auditors made an unqualified report.*

# UK COMPANY NEWS

## Midway fall to £109m in spite of West German strength

# Construction gloom hits RMC

**By Andrew Bolger**

RMC, the world's biggest producer of ready-mixed concrete, said yesterday that a strong performance in West Germany had helped it offset the decline in UK construction, but the group still reported a 5.4 per cent fall in interim profits.

The pre-tax outcome for the six months to June 30 was £109.3m (£115.5m), although turnover was 8.4 per cent higher at £1.3bn.

Earnings per share fell 11 per cent to 28.4p, but the interim dividend is lifted by 10 per cent to 6.4p.

The company said that the severity of the Government's counter-inflation policies bore heavily on the construction industry. The drop in profits reflected the downturn in UK construction activity, together with an increase in interest charges from £5.5m to £9.3m incurred in the expansion of its activities, both in the UK and overseas.

Operating profits arising from overseas activities exceeded those for the UK for the first time.

RMC said higher levels of UK inflation and interest rates had an inevitably adverse effect on the domestic construction industry.

These factors affected almost all of the group's UK operations, with a reduction in turnover and a 24 per cent fall to £51m in operating profit.

By contrast, in West Germany there were increases in the demand for cement, ready-mixed concrete and aggregates which flowed through in increased turnover and a 40 per cent rise in operating profit to £30.2m.

There was a small reduction in the demand for lime as a result of lower deliveries to the iron and steel industries.

Mr John Camden, chairman, said: "There is no immediate prospect of improvement in trading conditions in the UK and, while our overseas interests are expected to sustain their present levels of activity, the overall pattern established in the first half of the year is anticipated to continue for the remainder of 1990."

Volumes of ready-mixed concrete in France showed an increase but competition in the industry remained fierce, with margins continuing to come under pressure in some areas.

The group said operations in Holland continued at the high levels of last year. Substantial progress was also made in the rest of Europe, particularly in the Irish Republic and Spain. Profitability increased in Israel and in the south-east US.

The increase in income from related companies from £200,000 to £2.6m reflected the recovery which occurred at RMC's partnership with Lonestar in northern California.

**● COMMENT**

RMC did well to close 2p higher at 481p in a plunging market. It had already crashed with the rest of the building sector, but the group's overseas earnings do single it out from the herd.

The first half was tough in the UK, but the second half will be even worse, as the downturn spreads from housing to commercial building.

The West German performance was extremely impressive, even if overseas earnings do attract higher taxation.

Full-year earnings of £230m would put the shares on a prospective multiple of 8.2 with a yield of 5.6 per cent.

There is little downside at that level and modestly-geared RMC is the analysts' first choice for recovery when the sector turns. But such is the gloom enveloping the market as a whole and the sector in particular that there is no need to rush in just yet.

Tony Chubb: issued warnings in the spring about Brazil



# Logica profit halved to £9m

**By Alan Cane**

LOGICA, one of the UK's largest computing services companies, yesterday turned in results for the year to June 30 roughly in line with a profits warning issued in May.

Pre-tax profits were halved to £9.01m, compared with £18.84m last year. Sales were ahead marginally at £187.49m (£179.51m).

Earnings per share were down to 9p (20p) but the dividend is increased 10 per cent to 3.4p (3.1p), via a proposed final of 2.3p, in anticipation of better results next year.

Logica has been hit by three sets of difficulties.

● Firstly, its US operation moved last year from a £4m profit to a £2m loss on sales down 21 per cent in sterling terms.

The principal part of its US operation is Data Architects, a services company purchased in 1989.

A number of Data Architect's projects for customers have been drawing to a close without being replaced by new business.

A new chief executive officer for the company has been recruited but not yet announced.

On his appointment, the current chairman and president Mr Martin Cooperstein and Mr Norman Zachary, will retire.

● Secondly, it has had problems with a number of fixed price contracts including one for the Bay Area Rapid Transport Systems (BARTS) in California.

Of the contracts it undertakes, some 38 per cent are fixed price according to Logica and 62 per cent are based on the price of time and materials.

Mr David Mann, Logica's managing director, said the number of contracts in trouble was a small proportion of its total workload.

● Thirdly, the Danish operation had proved unprofitable and had been closed as had the UK management consultancy subsidiary leading to exceptional costs of £1.9m.

In addition, business had been slow in a number of sectors including finance, which is a third of Logica's business, and software for computer manufacturers.

**● COMMENT**

Fixed price contracts have become the bête noire of the computing services business but Logica's problems here seem containable compared, for example, with SD-Scicon.

Logica's strength is the quality and innovation of its work; its weakness is the regularity with which events, seemingly outside its control, throw it off balance.

Analysts seem content, however, that the present management is both competent and focused on what has to be done to retrieve the situation. The view is that the slowdown in contracts signed for new development projects, which is behind most services companies financial problems, will soon be reversed.

Analysts suggest profits for Logica this year of between £12.5m and £15.5m with £17m likely for 1991.

Logica's shares closed at 151p, up 1p on the day.

# Foseco hit by slow trading in UK and Brazilian squeeze

**By Jane Fuller**

A FINANCIAL squeeze in Brazil and slow trading in the UK were the main reasons for a 22 per cent fall in pre-tax profits at Foseco, the speciality chemicals and abrasives group, in the first half of this year.

The taxable figure declined to £19m (£24.5m), slightly below expectations, on turnover increased 5 per cent to £301.5m (£287.7m). Foseco shares shed 14p to close at 174p.

Mr Tony Chubb, who retires as chairman later this year, issued warnings in the spring about the ill effects of Brazil's fierce monetary squeeze. He said yesterday that the consequent profit reduction was £1.2m, virtually wiping out first-half earnings from that country.

The main impact was felt in the metallurgical chemicals division, which saw profit fall to £12.3m (£14.6m).

The Gulf crisis also took a toll because of outstanding payments due from the Iraqi nationalised steel industry to Foseco's French metallurgical operation. A provision of £800,000 had been made, said Mr Chubb.

Brighter parts of the division included the foundry and light alloy activities and the continued buoyancy of West German and Japanese markets. The US performance had improved because of internal reforms.

Difficulties in various UK industries, including construction, DIY and mining, hit the other two divisions.

In abrasives and diamond products, £1m of the fall in profit to £5.5m (£7.1m) was accounted for by an atypical subsidiary. Celmac, the UK's largest maker of toilet seats, was a victim of the housing/DIY slowdown.

There was also some weakness in the US because of exposure to the automotive industry.

In construction and mining chemicals, where profit fell to £3.6m (£4.4m), sales to British Coal declined and a timber treatment subsidiary suffered from the house-building slump.

Mr Chubb said action taken to improve the group's efficiency included cutting a quarter of the Brazilian workforce and closing part of the UK abrasives activities.

Interest charges rose to £2.4m (£1.6m) and gearing was between 25 and 30 per cent.

Earnings per share fell by nearly 28 per cent to 11.8p (16.3p). The interim dividend is held at 5p.

**● COMMENT**

Far from geographic spread providing a cushion against local difficulties, Foseco's involvement in about 40 countries seems to bring a succession of problems. Although the second half outlook for Brazil is less bad, the Gulf crisis has brought uncertainty to the 3 to 4 per cent of sales that lie in the Middle East, and a continued deterioration is expected in the UK. The spread of industrial customers – steel, automotive, mining, construction – also offers little comfort. A happier note was sounded about the US, not least because the improvement was internally generated. The news of cost cutting was also welcome. Perhaps chairman elect Mr Tom Long, formerly of BAT Industries, will carry on in this vein. Full-year pre-tax profit is forecast to be £10m down on last year's £46m, giving a prospective p/e of 7.7. Although supported by an expected yield of 10 per cent, the share price is unlikely to go anywhere in the short term.



# Wm Morrison rises to £22m

**By Peter Pearse**

HOT ON the heels of Tesco's 28 per cent profits rise earlier this week comes the announcement of a 31 per cent advance at Wm Morrison Supermarkets, the Yorkshire-based food retailer.

In spite of a 31 per cent increase in net interest payable to £2.16m and a £55,000 drop in exceptional profits relating to the sale of land and buildings, Morrison lifted pre-tax profits to £21.88m (£16.72m) in the 26 weeks to August 4. Last time's figures were for 27 weeks.

Turnover improved 17 per cent to £433.9m (£372.05m). After tax of £7.97m (£5.95m), fully diluted earnings were up 29 per cent to 6.44p (5p). The interim dividend is raised to 0.35p (0.3p).

Mr Ken Morrison, chairman, said that stores opened in 1988 and 1989 contributed strongly to the improvement, which was "encouraging during a period when retail sales are generally proving difficult to maintain."

However, Mr Martin Ackroyd, finance director, said: "People have been eating ever since I can remember," adding that the Wakefield distribution centre and the ease of distribution via the motorway network, and the specific location of the company's stores were also factors. Few people "passed by" Morrison's supermarkets.

Of the company's 46 stores, 29 have an average retail area of 33,000 sq ft, though between 1985 and 1989, the average size of new stores was 40,800 sq ft.

The opening of a store at Coalville next month, completes the three scheduled for the second half. The other two are in Rochdale and Pontefract.

Four new stores are planned for 1991 – in Hillsborough (Sheffield), Skipton, Stockton and Rotherham.

Mr Morrison said the company had recently completed a five-year term loan of £60m to ensure the completion of the new stores as well as the sites for a possible seven more.

# Chas Baynes up to £2.6m

CHARLES BAYNES, the diversified industrial group, yesterday announced buoyant first half profits and the acquisition of Cartados Packaging, a distributor of industrial packaging materials, for £840,000 in cash and loan notes.

The profits advance from £1.63m to £2.61m pre-tax for the six months to end-June had been achieved against the background of a deteriorating general business climate.

The company had focused on operating efficiencies and asset management and as a consequence £2m cash was generated by operations.

Reflecting a positive outlook and to achieve a better balance with the final dividend the interim is lifted to 0.4p (0.25p).

Turnover improved from £17.55m to £25.55m and after tax of £876,000 (£524,000) earnings came through at 1.7p (1.41p).

# Johnston Press ahead to £3.5m

Another set of strong results by its newspaper publishing activities enabled Johnston Press to record a 17 per cent improvement to £3.48m in pre-tax profits for the six months to end-June.

Turnover of the enlarged Scottish-based publisher and printer of weekly newspapers rose by 58 per cent to £31.67m. However, increased borrowings following the acquisitions of Dunn & Wilson and Cedric Chivers resulted in interest charges of £220,000 (£32,000).

Earnings per 10p share amounted to 8.5p (7.9p) and the interim dividend is lifted to 1.75p (1.5p).

# UK COMPANY NEWS

Tripled interest charges hold interim profits growth to 13%

## Laporte advances to £52.5m

By David Owen

LAPORTE, the *specialty* chemicals group which is 25 per cent-owned by Solvay of Belgium, yesterday reported a 13 per cent increase in interim profits in spite of a tripling of interest costs.

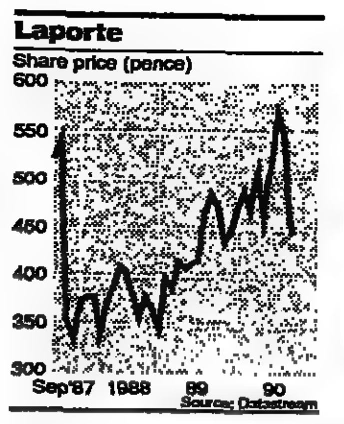
Taxable profits for the six months to July 1 rose to £52.5m (£46.5m) on turnover ahead almost 10 per cent to £334.7m (£304.5m).

Among the strongest performers was Interox, the Laporte-Solvay joint venture, which raised profits by 19 per cent from year-ago levels on the back of the continued buoyancy of the global hydrogen peroxide market.

Absorbents, metals and electronic chemicals, process and hygiene chemicals and timber treatment also performed well. The shares, which have fallen sharply in recent weeks, edged down 2p in the weak market to 444p.

Net interest costs rose to £5m against £1.6m in 1989. However, a turnround is anticipated in the second half, since the group had a net surplus at the half-year after taking into account the proceeds of its recent £144m one-for-four rights issue.

Looking ahead, the company projected that 1990 would be "a year of progress", although it admitted that the "less favourable" economic environment was imposing "additional burdens" on some of its businesses. "Most of our growth has been occurring in our higher margin activities," said Mr Ken Minton, chief executive.




Ken Minton: 1990 would be a year of progress

The Luton-based company was not without its problems during the first six months. The performance from its extensive Australasian activities was generally disappointing and the building chemicals unit performed worse than in 1989.

Trading was also down on exceptionally high year-earlier levels in fine organics. The group blamed the position both on the slower than expected rate of commercialisation of a number of new products and the high cost of commissioning new Teesside-based plant.

Earnings per share advanced to 24.4p from an adjusted 20.5p in 1989, reflecting a lower tax rate. An interim dividend of 6.4p (5.8p) is declared.

**COMMENT**

Not everything is going swimmingly for Laporte at present. Performance in the Antipodes is down virtually across-the-board and there are other weak spots in building chemicals and organics. Nor is the chemicals sector exactly the flavour of the month in this period of rising oil prices which will affect both raw materials costs and end-user demand. Further down the line, the picture is further blackened by the prospect of rising emission control and other environment-related expenditure. But in the context of this rather forbidding backdrop, Laporte actually appears relatively well-placed. The propitious rights issue has wiped out the group's debt burden. Meanwhile, its exposure to oil is lower than that of many of its peers. Indeed, the buoyancy of Interox's performance augurs especially well since it is linked to higher consumption of hydrogen peroxide in the pulp and paper industry, which is itself environmentally driven. Assuming full-year profits of about £120m (the second half is traditionally stronger than the first), the prospective multiple of just under 9 is about on a par with the ICI-dominated sector. This seems rather low. Having said that, there can be few investors rushing into the chemicals sector at present.

## Barclays takes full control of Allied Tst

By David Lascelles, Banking Editor

BARCLAYS BANK has taken full ownership of Allied Trust, a London-based bank in which it previously held 46 per cent.

It acquired the stake belonging to Sheikh Kamal Adham, a Saudi investor, for an undisclosed sum.

As a result of the change, Mr Richard Carden, Barclays' director of corporate and financial sectors, will take over as chairman. Mr Colin Wakelin will remain managing director and chief executive.

Allied Trust was formerly Allied Arab Bank. Barclays was forced to increase its stake in the bank in 1984 when it suffered heavy losses. The bank has since cleaned out its loan book and is now profitable again. At the beginning of this year, Barclays bought out another Middle East shareholder, raising its stake from 20 per cent to 46 per cent.

Allied Trust's net assets were £38.7m in the middle of this year, with a total balance sheet of £382m. It made £1.1m before tax in the first half of this year and specialises in lending to small businesses.

## Secure Trust ahead 39%

SECURE TRUST, the Birmingham-based financial services group, increased its pre-tax profits by 39 per cent to £2.7m in the first half of this year, writes David Lascelles.

The group, which was floated on the Stock Exchange in 1988, specialises in managing instalment payments for households, and has also diversified into insurance broking, lending and retailing.

Mr Henry Angest, chairman, said that the introduction of the poll tax had brought the company substantial new business and had spread revenues more evenly over the year, though it had added to administration costs.

Secure Trust also benefited from higher interest rates because it holds cash balances averaging £15m. Insurance broking and lending also performed well, but the retail division was hurt by difficult economic conditions.

Mr Angest said he was "very confident that we shall have a good year".

The interim dividend is raised by 20 per cent to 3p.

# NEWS DIGEST

## Dowding & Mills rises 26%

DOWDING & Mills, the West Midlands-based electrical and mechanical repair group, yesterday unveiled a near-26 per cent expansion in annual profits.

Mr Peter Hollings, chairman, said that the volume of business held up well, both at home and overseas. "In the current financial year trading has continued firmly with no sign yet of a slackening in demand."

Taxable profits for the 12 months to June 30 – £11.72m against £9.32m – were achieved on turnover ahead 12 per cent to £75.41m (£67.3m). Margins increased to 15.6 per cent, the best since 1975, Mr Hollings commented.

The results, struck after interest charges down to £419,000 (£615,000), included a five months contribution from Calibration Systems, while Microwave Systems was in for four months.

Earnings per 10p share emerged at 7.45p, up from 6.42p and a final dividend of 1.7p is recommended, lifting the total for the year to 2.7p (2.32p). A 1-for-4 scrip issue is also proposed.

## Singapore side helps Boustead gain 11%

Improved margins and a strong Singapore performance helped offset weakness in some UK sectors, and enabled Boustead to raise first-half profits by 11 per cent.

The international trader and industrial holding group raised the taxable result from £2.21m to £2.45m on sales down from £42.21m to £40.67m. The overseas contribution rose by 38 per cent to £19.17m (£13.94m), but UK activities put in only £21.5m (£28.27m).

Directors said the sale of Metal Supplies in February had reduced turnover by £6.1m. The net profit on the disposal was shown as an extraordinary item of £1.82m.

The interim dividend has been increased to 0.55p (0.5p) on earnings per share of 2.06p (2.27p).

## MTL holds margins as profits rise 25%

In spite of unfavourable conditions in some markets, MTL Instruments Group, the USM-quoted maker of intrinsic safety equipment, raised pre-tax profits by 25 per cent from £1.53m to £1.91m for the first half of 1990.

Turnover was 21 per cent higher at £6.97m (£5.75m).

Mr Ian Hutcheon, chairman, said margins had been maintained and the increase in profits also reflected the interest earned on MTL's growing cash balance.

The results reflected the continued growth in the use of intrinsic safety worldwide, the steady development of new and improved intrinsically safe products, the establishment of a further MTL regional sales company overseas and the continued strength of the UK market.

He pointed out that the latter was due mainly to the construction of new North Sea oil and gas production platforms and safety improvements to existing platforms.

Tax took £700,000 (£556,000) and earnings were up from 5.62p to 6.91p per 10p share. The interim dividend is raised by 20 per cent to 1.2p.

## Slight advance at Bilston & Battersea

Bilston & Battersea Enamels, the USM-quoted manufacturer of hand-painted decorative enamelware, reported a slight rise in pre-tax profits in the six months to June 30.

The rise from £215,000 to £222,000 was struck on turnover ahead 7 per cent at £2.2m (£2.06m). The company said that this was in spite of the general retail climate, both in the UK and the US, suffering from a downturn in consumer spending. The rise in administration costs – from £453,000 to £494,000 – was due to inflation and additional expenditure on sales promotion, it added.

Earnings crept up to 3.4p (3.3p) per share and the interim dividend is maintained at 1.75p.

## Fired Earth declines to £454,000 halfway

Taxable profits at Fired Earth Tiles fell by some £100,000 to £454,000 in the first half of 1990, adversely affected, in the view of Mr Nicholas Kneale, chairman, by the continuing contraction in the market for home improvements and ceramic tiles in particular.

He added that last time there had been a £90,000 exceptional credit. This related to the sale of tiles using designs by Salvador Dali, the Spanish surrealist painter.

Mr Kneale said that the traditional business of Fired Earth – retailing high quality hand-made tiles – had performed well, with sales up and margins maintained. However, the profits rise in that sector was offset by the fact that the Merchant Tiler, the retailer of medium priced machine-made tiles, had been slower to develop than forecast.

Turnover rose to £2.36m (£1.96m). Earnings per share dropped to 5.11p (7.18p), but a maiden interim dividend of 1.625p is declared.

## Proudfoot climbs 38% to £23.3m

Alexander Proudfoot, a group mainly involved in management consultancy and training, raised taxable profits from £16.87m to £23.3m for the six months to June 30.

The 38 per cent rise came on increased turnover at £95.46m (£62.45m). Earnings per share undiluted were 24.01p (16.49p), and fully diluted 21.82p (15.26p). Interim dividend goes up to 6p (3.5p).

## Goal Petroleum cuts interest costs

As a result of borrowing mainly US dollars Goal Petroleum kept its interest costs significantly lower and was able to report after-tax profits of £515,000 for the six months to June 30.

Although that compared with last year's £2.02m, 1989's first half figure included exceptional profits of £1.86m from the sale of Claymore oilfield interests.

The group continued to borrow to finance the final development cost of Wytch Farm and at June 30 net borrowings stood at £22m, equal to gearing of 30 per cent. Interest charges fell from £1.06m to £948,000.

Turnover totalled £16.46m (£12.6m) and earnings per 5p share were 0.38p (1.52p).

## £0.5m provision hits William Sindall

William Sindall, the Cambridge-based builder and civil engineer, yesterday reported a slight setback in interim profits.

On turnover ahead some 32 per cent to £43.37m (£32.93m), the outcome at the pre-tax line eased from £691,000 to £662,000.

This was struck, however, after increased interest charges of £782,000 (£494,000) and an exceptional debit of £500,000 representing a write-down against a waterside development. Profits at the operating level improved by 64 per cent to £1.94m (£1.19m).

Fully diluted earnings dipped to 5.48p (6.48p) per 5p share, but the interim dividend is maintained at 1.5p.

## Alumasc advances 28% to £4.85m

Alumasc Group, maker of beer kegs and other products for the brewery and building industries, which Glynwed International had sought to acquire, raised taxable profits from £3.8m to £4.85m for the 52 weeks to July 1.

Glynwed's £34m bid lapsed in June after the deal, which was accepted by 98 per cent of Alumasc holders, was referred to the Monopolies and Mergers Commission.

Alumasc's 28 per cent profits increase was achieved on turnover up 22 per cent to £45.2m (£37.17m).

Net interest payable was £466,000 (£216,000) and tax took £1.7m (£1.24m). An extraordinary item of £432,000 (£309,000) covered the losses incurred since the sale of Grundy (Teddington), which had a poor first half.

Earnings work out at 25.5p (20.8p) per share. The proposed final dividend of 6.15p makes a total of 9p (8p) for the year.

## Associated Fisheries slips to £775,000

An 85 per cent rise in operating profits at Associated Fisheries, the food processor and cold store operator, was converted into a 16 per cent fall in pre-tax profits in the six months to June 30 by a decline in investment income and a rise in interest payable.

The taxable result was £775,000 (£918,000) and was struck on turnover down from £48.71m to £37.8m. However Mr Keith FitzGerald, chairman, said that, excluding from the 1989 figure the turnover of DA Macrae, which was merged with Macfish, Geest's fish business, with effect for January 1 1990, resulted in a 6 per cent improvement in group turnover.

Investment income fell to £384,000 (£824,000) and interest payable advanced to £1.01m (£661,000).

Operating profit was ahead at £1.4m (£755,000). Food processing and trading contributed a sharply increased £346,000 (£16,000); cold storage, transport and warehousing was down at £650,000 (£795,000); engineering rose from £57,000 to £230,000; fishing, agency and trading climbed to £568,000 (£309,000), and there was an £11,000 (nil) share of profits of related companies.

There was an extraordinary debit of £10,000 (credit £754,000) and earnings worked through at 2.97p (3.57p). The interim dividend is maintained at 1p.

# A hiccup on the Eagle's flight

## By Nick Bunker

LIFE goes on in the commercial property world, even in the depths of a bear market. The UK's big composite insurance companies may not be glamorous, but they are survivors. And, if the experience of the smallest of them, Eagle Star, is anything to go by, the 1990 slump is an irritating hiccup after several years of strong growth in values, but not much more. "We haven't reduced our development activity. We like to keep up a steady stream," says Mr Ian McInnes, who used to be company secretary of Eagle Star's parent, BAT Industries, but now runs the insurer's £1.37bn portfolio of properties, almost all of it in the UK.

Insurers, of course, work to long term time scales, dominated by the need to match assets against real liabilities to policyholders which stretch 25 years or more into the future. Hence the usefulness of property, as an inflation-proofed, appreciating asset. Not that one composite insurer's portfolio is just the same as any others. Often there are special features, traceable back to the company's business, or individual history. One distinctive feature at Eagle Star is the big investments in agriculture and forests held within the £7.1bn of assets in its life assurance funds.

Another is the fact that its 1981 takeover of Bernard Sunley Investment Trust brought in a raft of City of London properties which helped give Eagle Star Properties bumper results in 1987 and 1988.

A third is that real estate investments make up about 27 per cent of Eagle Star's own shareholders' funds, an unusually high proportion. Partly, this is because Eagle Star's stronger-than-average balance sheet means it can put more of its investments into risk-assets, such as equities and property. But the other, hidden factor is that inside the shareholders' funds is the 55,000 square feet of 1 Threadneedle Street, Eagle Star's old head office site a few yards from the Bank of England, which it is redeveloping and hopes to let in autumn 1991. "We think it's the best address in London," Mr McInnes says.

**RENTAL GROWTH (%)**

| | Retail | Office | Industrial | All property |
|---|---|---|---|---|
| Year to July '90 | 8.0 | 10.5 | 15.5 | 10.3 |
| Quarter to July '90 | 1.8 | 0.8 | 2.0 | 1.3 |
| Month of July '90 | 1.0 | 0.1 | 1.1 | 0.6 |

Investment Property Databank

But for the most part the similarities between the way the composites look at property probably outweigh the differences between their portfolios. Hence the interest of Eagle Star's experience, as an indicator that as far the composite insurers are concerned, there seems little evidence of any permanent switch in sentiment against property.

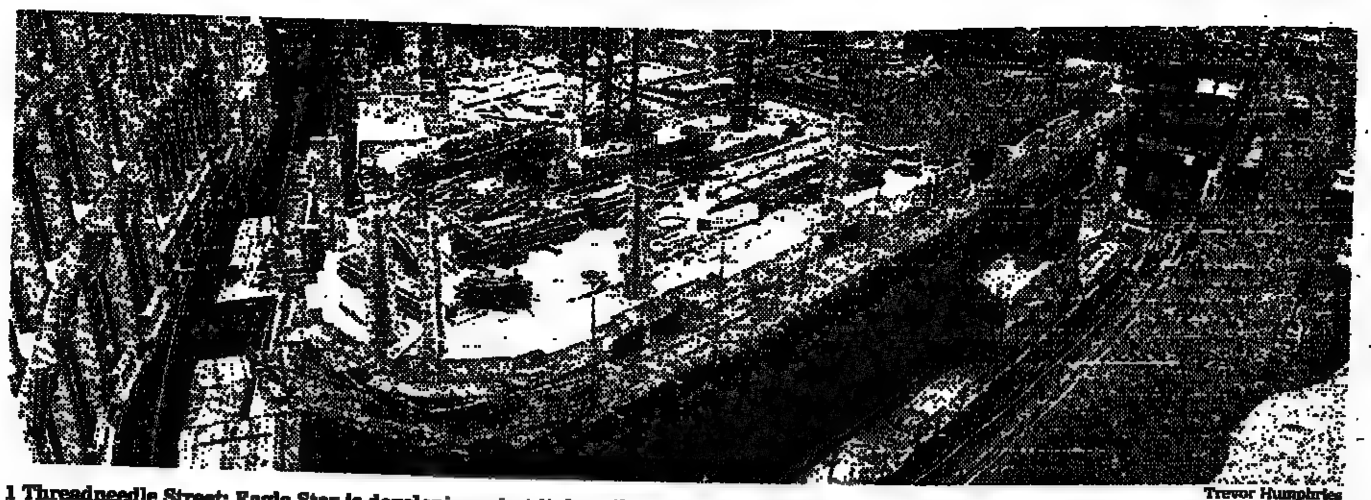
For one thing, the job of managing an insurance company's property portfolio has become more complex. In the past, some big insurers tended just to accumulate real estate, and sit on it. Not that they failed to spot bargains. One of Eagle Star's prize assets is William Kent House, an 18th century mansion behind the Ritz Hotel in Piccadilly, which it bought from Lord Wimborne for £250,000 just after the Second World War. Mr McInnes reckons that since 1979 it has never failed to appreciate in value by more than 20 per cent per annum, albeit assisted by some careful renovation.

But not every property has that kind of inherent quality. Eagle Star thinks there is no doubt that insurers have had to become better managers, so as to maximise the values of their portfolios.

"Insurers have had to pull their socks up," says Mr Clive Coates, Eagle Star's group finance director. "We would reckon that we manage our properties in a much more businesslike manner than we did in the past." The other side of the same coin is that the company now pays more attention to asset allocation, assessing the attractiveness of real estate investment as an asset category by comparing it with investment in shares. "We try very much more to plan the portfolio now," says Mr McInnes, whose official title is managing director of Eagle Star Properties. "We look first at the wood, then at the trees."

One implication of this is that Eagle Star now looks at its properties as consisting of a core portfolio – containing items like William Kent House, and some of its forests – and a non-core portfolio of more disposable assets. Another consequence is that rather than moving in and out of the market to try and grab short-term cyclical opportunities, a company like Eagle Star tries to keep its property portfolio growing at an even pace.

The company's 10-strong development team is not one of the industry's biggest – "We like to keep it small," says Mr McInnes, who thinks the team should stay close to the market by using external advisers – but it aims to maintain a constant stream of new projects. What it does not do is to buy many completed properties from developers, for the simple reason that it wants control over quality from start to finish.



Trevor Humphries

1 Threadneedle Street: Eagle Star is developing what it describes as the "best address in London" for possible letting in autumn 1991

Hence Eagle Star has recently finished retail developments in Falkirk and Southport, but it has more planned. This summer, it completed and let two large London office developments, at Stratton Street in Mayfair, and Gutter Lane in the City, accounting between them for 100,000 square feet-plus. But aside from 1 Threadneedle Street, which is something of a special case, it still has on the go further office schemes, at Ludgate Hill, and in Glasgow and Manchester, which it thinks offers some of the best potential.

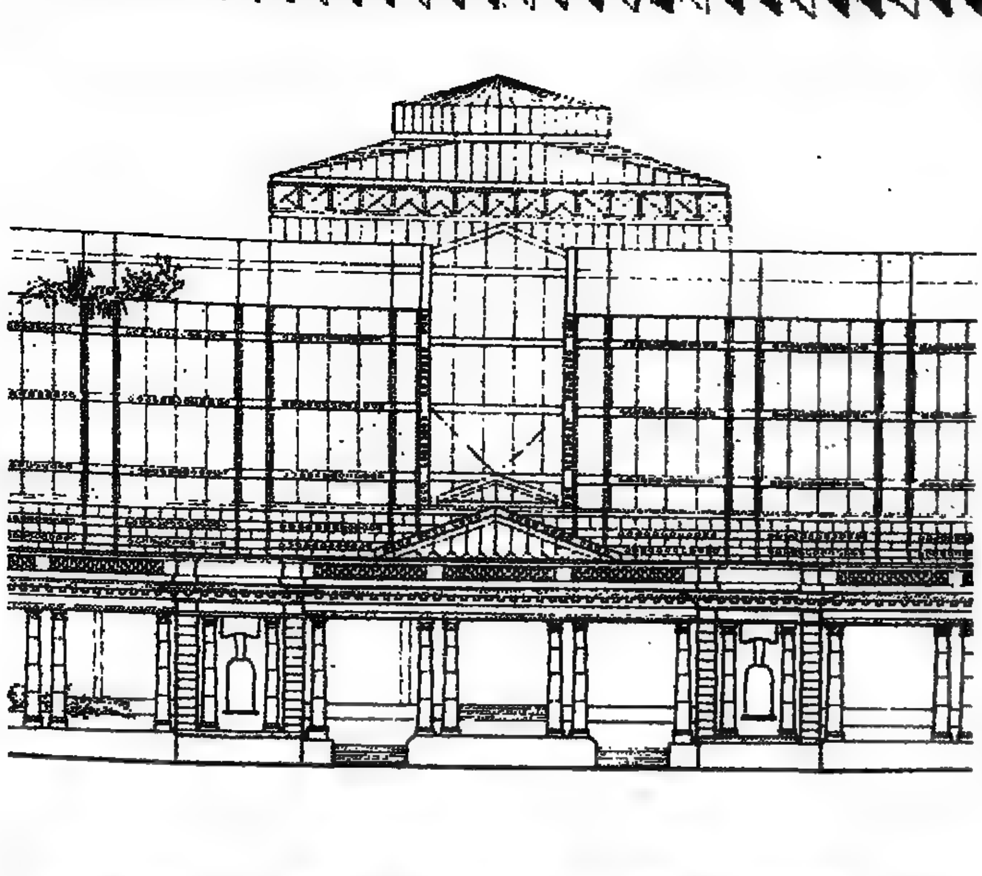
The field where it is looking out for attractive bear-market opportunities is industrial land, which accounts at the moment for only about 4-5 per cent of the properties in life fund, which it thinks is too little. So Eagle Star has been back in the market, recently buying some land on London's Western Avenue.

As for Eagle Star's fat holdings of agricultural property and forests – in part a legacy of the Mountain family, which ran the company before BAT took over five years ago – much of it seems destined to stay for the long term. With 44,369 acres of farms, most of them either on two Hampshire estates, or in parts of Scotland such as the Black Isle north of Inverness, Eagle Star is an unusually large country landowner, even after taking advantage of the strong market in private estates to sell 3,000 acres of Norfolk in one go last year.

As for timber, the Mountains began buying Scottish estates in the mid-1950s, and the company still has 40,000 acres. So on the face of it, the Eagle Star forest and farmland investments looks abnormally large, at 8 per cent of its life assurance fund. To some extent, Eagle Star agrees. "The proportion is about as much as we would like, so now we're refining our portfolio," says Mr McInnes. More sales, like the Norfolk transaction, could be on the way. And in Hampshire, Eagle Star has a well-publicised and predictably controversial scheme for turning some of its farmland around Micheldever into a large-scale housing development.

But Eagle Star remains very committed to forestry. The rationale is that it thinks timber makes eminent sense for a long-term fund like a life insurer, with liabilities stretching several decades into the 21st century. "One reason we went into forests is that they're an asset that matures over 40 years, longer than any gilt you can buy," says Mr McInnes.

In addition, the annual rate of return has averaged out at 4 percentage points ahead of inflation. So Eagle Star has stepped up its forestry activities since the takeover by BAT. It has developed new forests in the rain-soaked west of Scotland, and built closer links with paper and pulp manufacturers, such as United Paper of Finland's new Shotton mill in Wales. Forestry also sums up what Mr McInnes like about property. "Its something you can touch and feel," he says.



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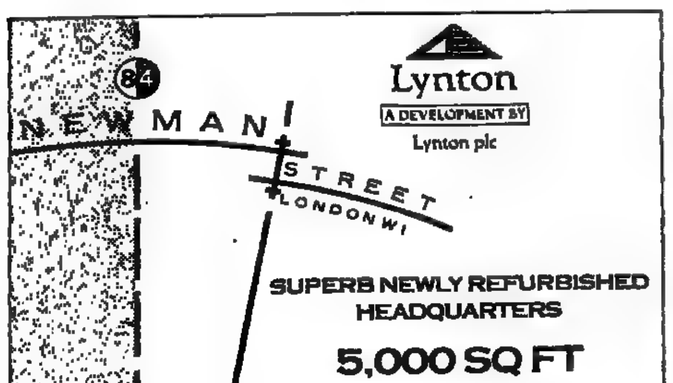


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## COMPANY NOTICES

**THE GOLD EXEMPT FUND**
**NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that a Meeting of Holders of Units in The Gold Exempt Fund will be held at The Bank of Nova Scotia Trust Company (Cayman) Limited, Cardinal Avenue, George Town, Grand Cayman on the 10th day of October 1990 at 10.30 a.m. (local time) when the following Resolutions will be proposed as Extraordinary Resolutions:-

1. THAT this Meeting of Holders of Units of The Gold Exempt Fund, contingent upon and subject to Resolution 2 set out herein being passed by the required majority for an Extraordinary Resolution, hereby approves and sanctions the modification of the base currency of the Fund so that with effect from 9.15 a.m. (Guernsey time) on 3rd December 1990 the base currency of the Fund shall be pounds sterling.
2. THAT this Meeting of Holders of Units of The Gold Exempt Fund hereby approves the Arrangements set out in Appendix I in the letter to Holders dated 21st September 1990, and pursuant thereto hereby sanctions and directs the execution of Supplemental Trust Deeds by the persons named therein as the Retiring Manager, the Manager, the Retiring Trustee and the Trustee in the form of the drafts produced to the Meeting and initialled for the purpose of identification by the Chairman, subject to such amendment as may be required if Resolution 1 set out herein shall not be passed by the required majority for an Extraordinary Resolution.

By Order of the Manager
M & G (Cayman) Limited
P J BAXTER
Secretary
Dated 10th October 1990

Notes:
Any Holder in the Fund entitled to attend and vote at the above Meeting may appoint one or more persons as his proxy or proxies to attend and vote in his stead. A proxy need not be a Holder in the Fund.
Holders of Bearer Certificates who desire to attend or be represented at the Meeting must deposit their Certificates with The Bank of Nova Scotia at 10 Berkeley Square, London W1X 6DN on any business day between the hours of 9.30 a.m. and 3.00 p.m. and in any event not later than 10.30 a.m. (local time) on 8th October 1990, against the issue of Voting Tickets. Only the person named in such Voting Ticket shall be entitled to attend and vote in person or by proxy. If such person desires to appoint a proxy he must complete the form of proxy on the reverse of the Voting Ticket and this form must be received by the Managers at P O Box 706, Grand Cayman, British West Indies, not less than forty-eight hours before the time of the adjourned Meeting. Certificates so deposited will only be released at the conclusion of the Meeting (or any adjournment thereof) or upon surrender of the combined Voting Ticket and form of proxy issued in respect thereof. Copies of the letter, dated 21st September 1990, sent by the Managers to registered Holders will be available at the offices of The Bank of Nova Scotia, Berkeley Square. The letter deals in detail with the Arrangements referred to in Resolution 2 above whereby it is proposed with effect from 9.00 a.m. (Guernsey time) on 3rd December 1990 the Fund should be transferred to Guernsey where it would be managed by M & G (Guernsey) Limited with Kleinwort Benson (Guernsey) Limited acting as trustee.

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**SEMBAH RUBBER COMPANY PLC**

NOTICE IS HEREBY GIVEN that the Seventy-third Annual General Meeting of the Company will be held at 4 Avenue Guillaume, Luxembourg, on Tuesday 16 October 1990 at 10.30 in the forenoon to receive the Directors' Report and Accounts for the year ended 31 December 1989; to declare a dividend; to elect Directors; to appoint Auditors and to fix their remuneration; and for the transaction of any other ordinary business of the company.

The Dividend recommended by the Board is of 50p per £1 share (gross) and, if approved at the Annual General Meeting, will be payable on 19 October 1990 to members on the register at 3.00pm on 4 October 1990.

Coupon Number 38 from share warrants to bearer must be presented, through an Authorised Depositary, to the London Paying Agents, Standard Chartered Bank Plc. Current Accounts/Securities Department, 37 Gracechurch Street, London EC3V 0BX for payment on or after 19th October 1990, allowing three clear working days for checking. Coupons must be summarised on special forms which can be obtained in advance from the bank. If dividends are being claimed from London Paying Agents without deduction of United Kingdom tax for non-residents, the coupons must be accompanied by affidavits.

By Order of the Board
INDUSTRIAL AND FINANCIAL SECRETARIAT LIMITED
Secretaries
30 Upper High Street
Thame
Oxfordshire
OX9 3EZ
ENGLAND

In order to be entitled to attend and vote at this Meeting, holders of Share Warrants to Bearer must deposit their Share Warrants not later than 4 October 1990 at the above address.

Every member entitled to attend and vote at the above-mentioned Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him, and any such proxy need not also be a member of the Company.

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**RM RAND MINES GROUP**

ANNUAL GENERAL MEETINGS

Notice is hereby given that the annual general meetings of the undermentioned companies will be held in the auditorium, Lower Ground Floor, The Corner House, 63 Fox Street, Johannesburg on the dates and at the times shown:

| Name of Company (both of which are incorporated in the Republic of South Africa) | Date of Meeting | Time of Meeting | Closure dates of Registers of Members (inclusive) |
|---|---|---|---|
| BLYVOORUITZICHT GOLD MINING COMPANY LIMITED (Registration No. 05/09743/06) | 19.10.90 | 11am | 13th to 19th October 1990 |
| HARMONY GOLD MINING COMPANY LIMITED (Registration No. 05/38232/06) | 19.10.90 | 12 Noon | 10th to 19th October 1990 |

Registered Offices:
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The Corner House
63 Fox Street
Johannesburg 2001

By order of the Boards
Rand Mines (Mining & Services) Ltd
V.M.MURTON
Administrative Manager and Secretary

14th September 1990

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Closing of Transfer Books and Registers of Members

Notice is hereby given that the transfer books and registers of members of the Company will be closed for the period 25 to 31 October 1990, both dates inclusive, for the purpose of determining those persons entitled to attend the Annual General Meeting.

By Order of the Board
Anglo-Transvaal Trustees Limited
London Secretaries
per: D.J. Adams
21 September 1990

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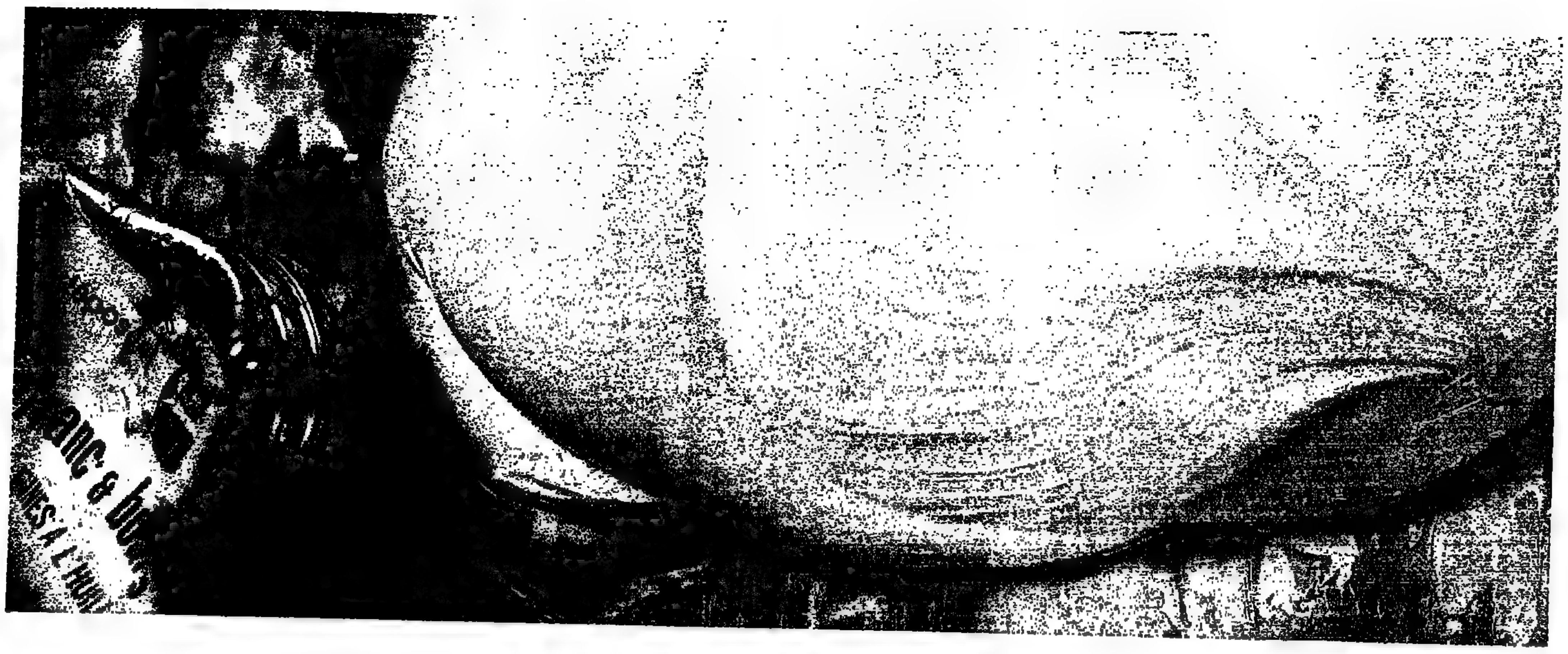
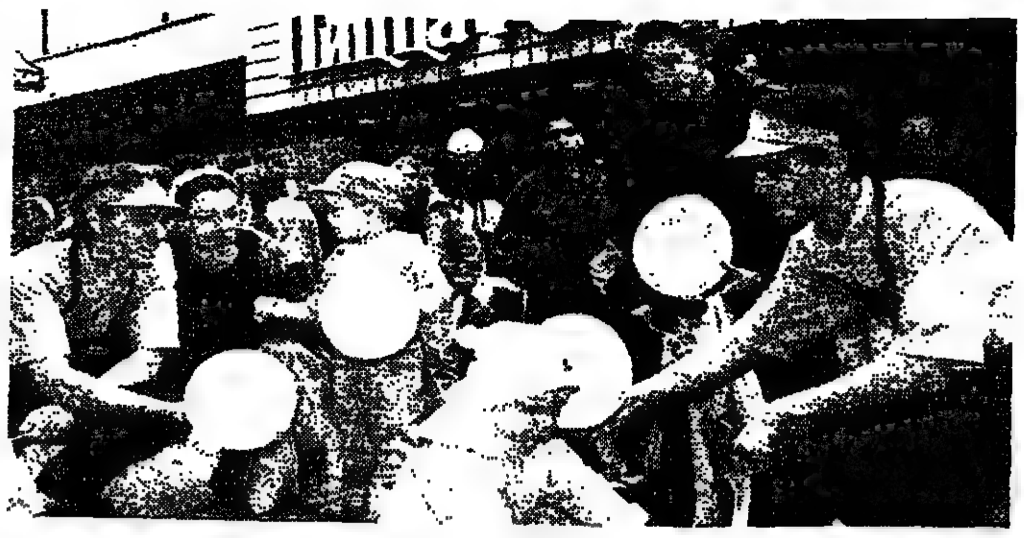




# Pizza Hut gives food for thought to Soviets

**Quentin Peel** on the travails of opening a restaurant in Moscow

The garish red-and-black sign for the latest Western implant on the Moscow streets – Pizza Hut – glares out incongruously at the Victory Monument on Kutuzovzky Prospekt.

It seems to be a deliberate challenge to a classic piece of Brezhnev-era sculpture; they are both symbols of their time. For the Pizza Hut restaurant, gleaming in the general shabbiness of a Soviet street barely a week after the opening ribbon was cut, already boasts a semi-permanent queue of patient citizens waiting in all weathers for a taste of the West.

It looks easy from the outside, an identikit restaurant you could have found in Hull or Helsinki, or Halifax, Nova Scotia, simply transported to the Soviet capital as the latest tribute to perestroika, and Mikhail Gorbachev's opening up the economy to the West.

Yet in reality, behind the broad smiles of Pepsico executives at the opening ceremony lay three years of alternating hope and despair, as they sought to bridge the business culture gap between East and West.

A small army of imported managers, trainers, builders and bricklayers has been involved in the effort to get the restaurant up and running, and to put in place a whole supply network for the raw materials necessary to keep it running. In the process, Pepsico, which owns Pizza Hut, has been forced to turn many of its company preconceptions upside down, and its Soviet partners have been forced to do the same.

The very first problem was just understanding what each side wanted. The idea came from a meeting back in 1987 between Anatoly Dobrynin, then Soviet ambassador to Washington, and Donald Kendall, chairman of Pepsico, and a long-time trader with the Soviet Union. Why not open a Pizza Hut in Moscow?

"Don Kendall gets the request and passes it down on our side. We can't be sure it is always passed down on the Russian side," says Andy Rafalat, the man hired by Pepsico from Marks and Spencer who has had the unenviable task of making the project a reality in the Soviet Union.

"The first people we met here were construction people. They simply wanted to build a pretty restaurant. We said, our job is not about buildings, it's about a system of management. It all dragged on and on, and after 18 months we were told there was no real interest in developing Pizza Huts at all."

Then suddenly, another partner appeared – the Moscow city council restaurant management agency – which seemed to understand, and the project was on again. But the negotiations to set up a joint venture still took a year.

"They had no concept of the difference between a big company and a small company. Culturally, they couldn't understand the difference between a small Vietnamese restaurateur and a multinational chain," says Rafalat.

"We had to work out a book of rules. That took time. The words we were using had a totally different meaning to these guys.

"We both wanted the thing to work, but we had a tremendous communication problem, even with good interpreters," he says.

Both sides had to find an answer to absolutely basic questions, like staff hours, and opening hours. "We said 365 days a year. They said that's impossible. You must close down for 'hygiene days'. We said we clean up as we go along."

The next question was how to manage the venture. "Our experience is that to make joint ventures work, you have to give the local management team the running of the business. I will be called the deputy general manager. I will be like the coach, training the people round me, not taking an active part in the business."

As for finding the right people, "we had to turn our personnel rules upside down. All the good English speakers are academics, so that was no good. Instead, we chose people who were as near to street-wise as possible."

The general manager, Alexander Antonyadi, "ran two of the best-operated restaurants in Moscow. His restaurants were clean. The staff smiled. He knew what his sales and profits were." As for the finance director, Olga Ignatova, she was poached from the opposition – she was the economist on the Moscow city council team during the negotiations.

"We wanted people who understand both systems," Rafalat says. "We told them to take a look at the UK system, and then decide how it could best work in Moscow. Taking people out for training meant they came back totally different people. Telling them the same thing here had no meaning. It was only when they went to London and saw our restaurants working that the penny really dropped."

The next massive headache was to find supplies.

Inevitably, Pizza Hut gets compared with McDonalds, which got the kudos, and the massive publicity hype, of opening first in the Soviet capital. The truth is that the two companies have gone about their ventures in totally different ways.

McDonalds sought to insulate its operation as much as possible from the appalling supply bottlenecks, bad quality, and sheer unpredictability, of the Soviet system. It set up a supply line from the farm gate, through its own \$50m processing plant, to the fast food kitchens.

Pizza Hut has decided to try and work within the system. The investment is far less (although just opening two restaurants has cost about \$10m, including purchasing refrigerated trucks to ensure regular deliveries). And the ultimate viability of the operation, the company believes, is much greater than if it were kept more remote from Soviet management and supply lines.

Supply headaches are one of the two biggest problems for Western joint ventures in the USSR. The other is how to make hard currency profits to satisfy the shareholders back home.

Andy Rafalat had to find mozzarella cheese in the Soviet Union. For months he scoured the country for a processing plant, eventually finding one miles away from Moscow.

"It's better to take some pain up front, and work with local suppliers," he insists. "For the cheese, we couldn't find anybody even interested in supplying us. Finally we found one in Motensk – 300 kilometres from Moscow – somebody who had been touched by Western thinking. He was happy to give it a try. We provided the equipment, he made the cheese. Now we're prepared to pay for new equipment – in hard currency – when he needs it."

As for meat toppings, Pizza Hut failed completely to find a local supplier. Both quality and reliability were missing from every Soviet meat plant they looked at. Finally, they heard that Pizza Hut's Swedish supplier was interested in setting up a joint venture itself with a Soviet partner in Moscow, so Pizza Hut guaranteed it orders for a healthy proportion of the output.

The real challenge will come in the winter, when all fresh supplies in Moscow vanish, and everyone survives on pickles. Pizza Hut may have to do the same.

But it is the financial side which will ultimately decide the fate of the experiment. The hard currency costs have already been very heavy – the restaurants themselves were kitted out by importing practically every nut and bolt – but the hard currency revenues are likely to be unpredictable.

Costs were three to four times higher than they would have been in Western Europe, once all the imported labour and materials had been paid for.

Now the viability depends on two things: how much of the supplies can continue to be guaranteed in local currency, and how many foreigners can be persuaded to use the hard currency half of the restaurants. Prices have been fixed so that they are roughly comparable to those in the outside world – for the foreigners – and what the market will bear, for the locals.

Yet the whole financing may have to be rethought if the Shatalin programme of economic reforms currently under discussion in the Supreme Soviet is approved. For then all hard currency shops and restaurants will be phased out, stopping use of foreign exchange, in order to restore some faith in the benighted rouble.

Andy Rafalat is calm even about that. "We have set up the whole operation to stay flexible. That is really the secret of it. We have simply got to react to the circumstances as they arise."

# Why managers carry cases

**Barbara Durr** on an experiment at the Hyatt hotel group

On September 26, don't be surprised by attention of a slightly different kind at Hyatt Hotels. The company is putting its corporate staff in the field as doormen, food servers, and front desk attendants to gain an appreciation of what the other side is like. Hyatt calls it "In Touch Day."

Hyatt carried out the same role reversal last year and found that managers had their eyes opened about how day-to-day hotel work was accomplished, says Tom Pritzker, the 39-year-old president of the family-owned Hyatt Corporation, which is based in Chicago.

Although originally the idea was conceived as a sort of morale booster for lower level employees, Pritzker found that the bigger impact was on management. Managers realised, he said, "how much more important employees in the field are."

The overall object of the exercise is to improve service. With most competing quality hotels looking alike these days, outstanding service will be the only way to gain customer loyalty, Pritzker says. And, he adds, managers must realise that the employees who are on the front line in providing services to customers will determine the fate of the business.

Pritzker, who operates a chain of 159 hotels and resorts around the world, says that ten years ago, when the chain had just 75 hotels, he personally knew every general manager. Today, that kind of personal relationship is impossible. But he feels strongly that Hyatt's family-style corporate culture, which has kept the front desk smiling and the doorman smartly at attention, must be maintained.

He plans to spend his day getting his hands dirty as a bellman, doorman and a waiter at the Washington DC Park Hyatt. Pritzker relishes in particular the chance for management contact with customers. Comment cards provide the bulk of the hotel's feedback from guests, but there is no substitute for face-to-face contact.

While the origin of what he calls a special Hyatt culture is hard to define, Pritzker claims that it comes from having started as a small family business 33 years ago. Several factors contributed: fast growth attracted good people; the architecture of the hotels was exciting; the management was decentralised thus giving local managers greater responsibility; and individual initiative was encouraged.

But today, the company's top and bottom have grown apart and Hyatt is seeking new ways to preserve its service culture and the old family cosiness. In addition to "In Touch Day", the company also conducts small discussion groups, called "Hyattalk", in which senior managers go to hotels and talk directly with employees three or four levels down from their normal chain of communication.

Pritzker believes that such intra-company "upstairs-downstairs" relations have changed the way managers make decisions. "They stop thinking they know everything," he says. "They could pick up the phone to ask a bellman if their thinking is correct."

Some bellmen will even have a chance to advise managers in person because this year Hyatt is taking the role reversal a step further. On September 27, the day after corporate officers go to the field, lower level employees will go to corporate suites.

Hyatt's scheme for improving intra-company relations may seem a bit whacky to some. But the need for such initiatives appears to be acute. A study by Towers Perrin, a US management consultancy, found that 44 per cent of 350,000 respondents reported that management does not encourage new ideas or methods, and 55 per cent said that management is our of touch.

# Management abstracts

**Contracting out work can affect company profitability.** *S Braithwaite in European Management Journal (UK). Mar 90 (8 pages)*

Contends that contracting out aspects of company operations such as component manufacture, cleaning or security, while often reducing costs, carries with it the possibility of creating or increasing risk. Offers examples of these and other kinds of dangers inherent in contracting out, and examines ways in which companies can protect themselves.

**Bringing automated support for large groups.** *A R Dennis + others in Information & Management (Netherlands). Mar 90 (11 pages)*

Previous research into electronic meeting support has indicated a group limit of 16 for maximum effectiveness; a system is outlined here to attempt to extend that limit using newly designed software in a specifically designed meeting environment. Applies tools such as electronic brainstorming and issue analyser to the annual strategic planning of the meeting at the guinea pig, Burr-Brown (a US electronics manufacturer). Claims successful results, measured in terms of participants' reactions.

**Firm ownership and host government restrictions.** *B Gomes-Casseres in Journal of International Business Studies (US). Vol 21 No 1 90 (22 pages)*

Shows that when companies set up foreign subsidiaries, they do not always find it possible to make the arrangements for ownership which they would prefer, as the government of the host country may impose conditions/restrictions. Reports on research which shows that, where restrictions exist, certain factors hitherto considered to have a strong effect on the negotiating process, such as R&D intensity, are actually less important than usually assumed, while others (eg market attractiveness, size of subsidiary), play an important part.

**The importance of work goals.** *I Harpaz in Journal of International Business Studies (US). Vol 21 No 1 90 (19 pages)*

Adds to the "vast literature relevant to the operationalisation of work goals" by presenting the results of an enquiry among over 8,000 employees in seven countries as to 11 job criteria they valued most highly. Overall, interesting work and good pay came out on top, though there are national differences.

*These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £5 each (including VAT and p+p) cash with order from Anbar, 62 Toller Lane, Bradford, West Yorkshire BD9 5BY*

COMMODITIES AND AGRICULTURE

# London Fox to launch arabica coffee contract

By David Blackwell

THE LONDON Futures and Options Exchange (Fox) is to launch a contract for European washed arabica coffee on its automated trading system "within three to six months."

Fox's existing coffee contract and related options market is for robusta coffee, mainly grown in Africa and used for making instant coffees. Growing European consumer preference for arabica coffee and the opening up of eastern Europe have created a demand for an arabica contract from the European trade, the exchange said yesterday.

A highly successful arabica contract is already operated on New York's Coffee, Sugar and Cocoa Exchange but previous attempts to launch a London open outcry market have failed. The new London market will remain open until 7 pm to catch hedging and trading from the US.

Mr Mark Blundell, the exchange's chief executive, said yesterday that the commitment to the new market underlined "the growing importance of arabica to the European coffee business."

The exchange believes a dozen screens will trade the market, including some already in use in existing screen-based markets and some new screens in Europe.

Fox started trading on screens in 1987 with a white sugar contract which now trades between 2,000 and 3,000 lots a day. This year it launched a screen trading in rubber, which has done very little, and a contract based on a base metal index, which trades up to 700 lots a day.

Mr Blundell said he was satisfied with the "good, consistent start" of the metals index contract. The exchange would be launching a metals index options contract, possibly next month, to consolidate the market.

The exchange has abandoned the possibility of a screen-based tea contract, but is still considering both electricity and property futures and has started work on a possible contract for rice.

# Brazil buys beef from European 'mountain'

By Tim Dickson in Brussels

THE EUROPEAN Community has sold 80,000 tonnes of surplus beef to Brazil in the first deal with that South American country for about 18 months.

Brazil was a regular customer for EC meat in the mid-1980s, although there has been criticism that much of it is used for manufacturing purposes and eventually turns up again in European supermarkets as processed product.

Given this year's build up of EC beef stocks in the wake of newly increasing production and consumer fears over food safety, however, officials in Brussels are pleased at the latest commercial development. The sale – from intervention stores in France, Italy, Ireland and Germany – makes a sizeable dent in the 300,000-tonne beef mountain just when the slaughtering season is getting into full swing.

Hopes are also high that further quantities of East German beef – much of which has been coming into the Community as farmers there cull cows in preparation for milk quotas, thereby exacerbating the downward pressure on prices – are likely to be sold to Moscow in the next few weeks.

Meanwhile, the sheepmeat management committee this week authorised member states to make the second 30 per cent instalment of the estimated ewe premium for 1990.

The Commission had earlier been hoping to delay the decision until after the end of November but for clear political considerations it was brought forward to bring some relief to the hard pressed sector.

Member state Governments do not necessarily have take advantage of the authorisation immediately. France, for example, acted to make the first payment immediately after the go ahead was given at the end of June, while the British Government waited until last week.

● Mr Bob Hawke, the Australian Prime Minister, has warned the European Community that it risks severe damage to its political and economic relationship with Australia if it breaks an agreement not to sell subsidised beef into Asian markets.

He delivered the warning in a letter to Mr Ray MacSharry, the EC Agricultural Commissioner, who Australia believes will try to scrap the five-year-old Andriessen agreement to help clear the EC beef mountain, Mr Hawke's office said.

The letter said Australia, whose beef farmers receive no subsidies, would take a very serious view of such a move.

# Peruvian mines hungry for foreign capital

## Sally Bowen discovers that only 3 per cent of the theoretical capacity is exploited

FOR THE first time in over half a decade, Peru is setting out to woo foreign investment into its potentially rich but severely undercapitalised mining industry.

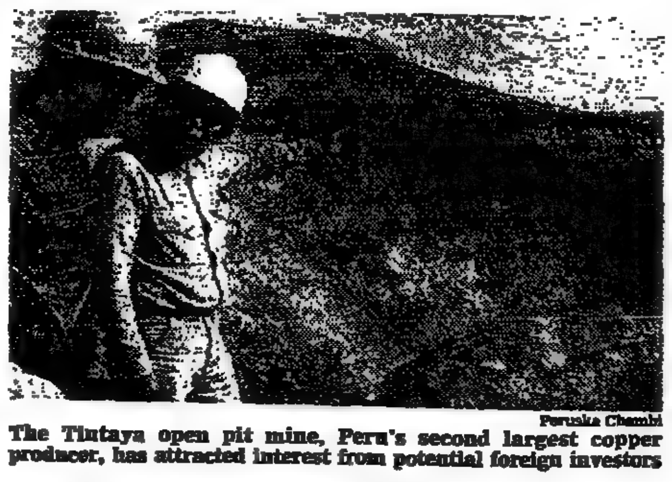
Mr Fernando Sanchez Albavera, the newly appointed Minister for Energy and Mines in Alberto Fujimori's seven week-old administration, says: "Our priority is to make investment attractive."

Among other measures, he will encourage "associative agreements" between existing state mining companies and private investors. Of special interest are development of the currently unexploited iron and polymetallic deposits belonging to state-owned Hierroperu and the second stage of the Cerro Verde copper mine and concentrator near the southern city of Arequipa. Mr Sanchez Albavera envisages the state retaining a minority shareholding with fresh capital provided by the private sector, national or foreign.

The new Government will also encourage private investment in entirely new projects. One early possibility is development of the 400m-tonne copper deposit at Quellaveco. This lies between American-owned Southern Peru Copper Corporation's copper mines, Toquepala and Cuajone, which produce two-thirds of all Peru's copper. Investment requirements are estimated at $700m. "We would clearly be interested in having SPCC develop Quellaveco," said Mr Sanchez Albavera. "But they are proceeding with understandable caution."

Quellaveco is one of dozens of unworked concessions held by Minero Peru, the state minerals company, ever since Peru's military government nationalised all undeveloped mineral rights in the 1970s. Now, the new mines minister says: "Let the state release these concessions and let private investment develop them."

The recently struck Iscaycruz deal could serve as the model for future mixed enterprises, according to the Minister.



Peruska Chambi

The Tintaya open pit mine, Peru's second largest copper producer, has attracted interest from potential foreign investors

Iscaycruz is a rich polymetallic deposit in the north-east of the Lima department with 3m tonnes of rich zinc, copper and lead reserves. Minero Peru held the mining rights, but lacked the capital to commence operations. After a protracted battle for the concession earlier this year between Marc Rich Associates, the Swiss-based commodities trading group, and Odebrecht of Brazil – in alliance with a local Peruvian mining conglomerate, Buenaventura, and Brazilian Paraibuna Metais – rights to Iscaycruz went to the Odebrecht consortium. Mineroperu retains a 15 per cent stake in the investment, worth $40m. Work is to start immediately and annual output estimated at over $20m should be coming in within three years.

Mineroperu has a vast portfolio of concessions ranging from the north-east Andean copper deposits of Michiquillay (requiring an estimated investment of $1.5bn) to other more modest but attractive prospects such as polymetallic Tambo Grande in the northern coastal department of Piura – another deposit in which Marc Rich's highly profitable Peruvian mining subsidiary Perubar has expressed an interest.

A handful of foreign investors are already in negotiations with Tintaya, the former state-owned copper mine now transferred to the Inca Regional Government. Tintaya, Peru's second largest copper producer, has two expansion projects, one costing $48m to expand their pilot copper oxides plant and the other to develop a rich new copper deposit at nearby Coroccohuayco. Japan's Mitsubishi Corporation is among the front-runners for the $45m Coroccohuayco investment, to be repaid through a marketing contract.

Despite future prospects, this year is likely to prove a poor one for Peru's battered mining industry. Copper production was down by almost a fifth in the first seven months of 1990 over the same period last year. Much of the decline was a consequence of the prolonged strike at SPCC in March and April. But production at state-owned Centromin was down too – by 8 per cent over the same seven months – while at Tintaya, output was nearly 12 per cent lower.

Zinc production held up better, only fractionally lower in the first seven months of 1990 than last year, with Milpo turning in record output figures and Marc Rich's Perubar almost equalling its previous year's record performance. Centromin production was 7 per cent lower overall, however, because of continuing problems with spare parts and run-down machinery. National lead and silver production were down 5.8 per cent and 4 per cent respectively for the January to July 1990 period.

Peru's mining sector suffered severe deterioration under the Garcia Government's exchange rate policy, which gave mineral exporters a chunk of their earnings in an official undervalued dollar. Mr Luis Rodriguez Mariategui, President of the National Society of Mining and Petroleum, estimates that the policy cost the industry US$800m in 1989 and US$257m in the first half of 1990.

Mining accounts for 13 per cent of Peru's gross domestic product and half of all foreign exchange earnings. Over 1.5m Peruvians depend on it for their livelihoods. President Fujimori has continually stressed the importance of small and medium-scale mining in Peru's economic reactivation.

The mining society estimates that the current value of mining production – about $2bn – could be increased by $300m in the short term. "If we could get back to the levels of production of 1987 – the last year of really normal operations – mining output would be up around 8 per cent and GDP would immediately rise 2.6 per cent just through mining," Mr Rodriguez Mariategui said.

The society's three-pronged plan for reactivation of mining envisages the re-opening of small and medium-sized mines closed because of the previous government's unfavourable exchange rate policy. The cost of the restart is estimated at $35m, bringing in immediate annual production worth $120m.

Next the under-utilised capacity of state-owned Centromin needs to be activated. Lack of financing over the past three years has meant drastic falls in production levels and spare parts and renewal of fixed assets are urgently required.

With the credit already approved by the Inter-American Development Bank, Centromin production could be increased by $80m a year in the short term, according to the society. Finally, immediate output increases from small and medium-scale mines could bring Peru in another $100m annually in the short term.

The mining society estimates "conservatively" that development of projects which already have technical and feasibility studies completed could mean a further $1bn rise in Peruvian mining output in the next four years.

With only 3 per cent of Peru's theoretical mining potential currently exploited, there is plenty of future for an industry that can provide investors with the conditions and guarantees they demand. Mr Sanchez Albavera promises an "internationally competitive and stable" tax system for the mining sector with no political backtracking, exchange rate stability and an end to monopolies. Foreign investors will be guaranteed freedom to remit profits. "What we want is a market economy with a minimum of state interference," he said. "We won't fix the exchange rate, but it will be near or equivalent to parity."

As for the industry's generally poor labour relations record, Mr Sanchez Albavera is confident that, once mining is back in the hands of the "professionals rather than demagogues" union problems will diminish.

"This is a year of transition, of correcting a series of accumulated problems," he said.

# Strikes and terrorism discourage investors

TWO PERSISTENT problems have discouraged investors from entering Peru's rich mining country – a workforce apparently prone to bitter and lengthy stoppages, and the continung threat of terrorism in remote areas where mines are largely located.

The current strike at state-owned Mineroperu is the most recent manifestation of poor labour policies leading to unrealistic pay settlements and short-term solutions. This week, protest marches have been broken up violently by police at two of the company's mining installations in the provinces and at the head offices in Lima itself.

Peru's extreme left-wing Federation of Miners and Steelworkers will be flexing its muscles once again next month. It has called a national strike commencing October 15 in support of a single wage negotiating platform for the industry. National strikes decimated production in 1988 and, to a lesser extent, last year.

Mine owners, however, say that a new realism has crept into the unions since the free-spending, Garcia Government left power. They expect the strike call to receive only token support.

Mine security remains a serious concern. Larger installations devote a substantial amounts to protecting themselves from armed terrorism. The Maoist guerrilla group Shining Path and the smaller Tupac Amaru Revolutionary Movement have found the mines a plentiful source of explosives.

While the larger mines generally consider their own anti-terrorist measures adequate, the mining society continues to press the Government for a more energetic policy against subversion primarily to protect smaller units.

# US and EC faced with growing grain export bills

By Nancy Dunne in Washington

SOARING WORLD grain production and falling prices have produced the predictable result: the US and the European Community, pitted in head-to-head competition for shrinking export markets, are paying ever higher export subsidies that neither treasury can afford. And to make matters worse the Gulf crisis is depressing prices further.

The US Agriculture Department, according to US Wheat Associates, has had to pay record Export Enhancement Program bonuses to keep the wheat outflow going. Last September it was able to subsidise wheat to Egypt for about $9 a tonne; this September the average bonus was $46.90 a tonne. Bonuses to Morocco last week totalled $42.02 a tonne, up from $6.50 in September 1989.

According to the National Association of Wheat Growers, a 100,000 tonne wheat sale to Tunisia for autumn delivery carried an average bonus of almost $50 a tonne, while a 12,000-tonne sale to West Africa paid an average $54 a tonne.

Meanhwile the EC's Common Agriculture Policy is in trouble again with surpluses building for grain, beef and dairy products. With its budget under increasing pressure, the EC has had to pay even more to move its wheat. Recent restitution levels totalled $135 a tonne for soft wheat and over $200 a tonne for hard wheat.

"Failing any significant agricultural agreements to reduce subsidies in the current Uruguay Round (of the Gatt), these levels could continue throughout the balance of the year as world wheat prices continue to be low," US Wheat said.

Despite budgetary pressures, the USDA seems to prepared to renew some of the 18 EEP offers previously announced and due to expire unfulfilled. It recently announced its intention to offer bonuses for 500,000 tonnes of wheat to Colombia to replace an allocation for 515,000 tonnes which expired on September 10.

The high cost of farm programmes offers the best chance for agreement on agriculture trade reform, according to Mr Dale Hathaway, former USDA under-secretary.

Speaking this week at briefing by the Institute for International Economics, Mr Hathaway said now the impact of the US drought was past, subsidising governments would be taking "a significant hit".

"For the first time, we will have enthusiasm for proposals that will scale everyone's subsidies back," he said.

# Danes plan meat mergers

By Hilary Barnes in Copenhagen

INCREASED competition in the pigmeat market, where European prices are currently being depressed by imports from East Europe, is being met by a rapid process of reorganisation by the big Danish co-operative slaughterhouses.

Three of them – Tulip, Wendbo-Sundby, and East Jutland – have agreed financial conditions for a merger creating a business with a turnover of Kr10bn (£885m) and 8,000 employees, claimed to be the largest in Europe.

The new group will handle about 45 per cent of the 15m to 16m pigs sent to slaughter each year in Denmark. Danish agriculture, which is a major exporter of meat and dairy products to non-EC countries, is also currently concerned about the consequences of the Uruguay Round negotiations, where the emphasis is on cutting export subsidies.

The new merger is the second major merger among the co-operative meat packers to be announced this year. Last spring the two big West Jutland groups, Vestjysk and Jutland, agreed to get together to make a unit with turnover of about Kr5.5bn.

The four biggest processed meat products business are also being merged.

WORLD COMMODITIES PRICES

## MARKET REPORT

Copper market sentiment has turned bearish now that the tightness in nearby supplies for September has passed and traders are once more focusing on fundamentals. Inventories are high and there have been reports of heavy granting of put options. LME prices closed down yesterday, while by midsession Comex prices were mostly lower on disappointed long liquidation. New York traders said dealings were mostly technically dominated, following through on Wednesday's tumble in the final 10 minutes of action. Wednesday's fall was tied to news that Southern Peru Copper was selling small amounts of its blister on the spot market. The company has been unable to process its blister into cathode because of the 35-day-old strike at Minero Peru. Nickel prices closed at the day's lows. Dealers said fund liquidation prompted fresh selling in the afternoon. The market is now vulnerable to further downside moves. On the BFE freight futures were down sharply on news of an easier US/Japan grain fixing. Further selling pressure was expected in the absence of any significant supportive news, with the Chinese and Soviets showing no signs of entering the market.

**Compiled from Reuters**

## London Markets

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $29.15-9.25y | +.425 |
| Brent Blend (dated) | $35.55-5.65 | +.275 |
| Brent Blend (November) | $32.95-3.05 | +.525 |
| W.T.I. (1 pm est) | $33.00-3.05y | +.550 |
| **Oil products** (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | $418-420 | +1 |
| Gas Oil | $294-296 | +13 |
| Heavy Fuel Oil | $126-129 | +7.5 |
| Naphtha | $335-337 | +7 |
| *Petroleum Argus Estimates* | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $387.25 | +0.50 |
| Silver (per troy oz)♣ | 481c | -2.00 |
| Platinum (per troy oz) | $457.00 | +0.65 |
| Palladium (per troy oz) | $106.00 | +0.50 |
| Aluminium (free market) | $2220 | -25 |
| Copper (US Producer) | 131c | -3.5 |
| Lead (US Producer) | 50c | |
| Nickel (free market) | 485c | -10 |
| Tin (Kuala Lumpur market) | 15.35r | -0.02 |
| Tin (New York) | 272.0c | -1.00 |
| Zinc (US Prime Western) | 81c | |
| Cattle (live weight)† | 102.89p | -1.27* |
| Sheep (dead weight)† | 125.30p | -8.82* |
| Pigs (live weight)† | 79.73p | -2.24* |
| London daily sugar (raw) | $266.6q | +2.20 |
| London daily sugar (white) | $308.0q | +3.00 |
| Tate and Lyle export price | £262.5 | +4.50 |
| Barley (English feed) | £116 | |
| Maize (US No. 3 yellow) | £149w | |
| Wheat (US Dark Northern) | £94.2q | |
| Rubber (Oct)♥ | 52.00p | -0.50 |
| Rubber (Nov)♥ | 52.25p | -0.50 |
| Rubber (KL RSS No 1 Oct) | 238.5m | -2.00 |
| Coconut oil (Philippines)§ | $275v | |
| Palm Oil (Malaysian)§ | $262.5w | |
| Copra (Philippines)§ | $200y | -5.00 |
| Soyabeans (US) | £145.0 | +1.50 |
| Cotton "A" Index | 82.20c | +0.90 |
| Wooltops (64s Super) | 437p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg. q-Sep/Oct. t-Dec u-Oct/Dec v-Oct/Nov. w-Oct z-Aug/Sep y-Nov. †Meat Commission average fatstock prices * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg

**SUGAR – London FOX ($ per tonne)**

| Raw | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 255.40 | 255.20 | 258.40 | 255.00 |
| Dec | 260.00 | 250.00 | 240.00 | 237.00 |
| Mar | 236.60 | 237.40 | 239.00 | 236.60 |
| May | 238.60 | 238.40 | 238.80 | |
| Aug | 241.00 | 240.00 | 240.80 | |
| **White** | **Close** | **Previous** | **High/Low** | |
| Dec | 308.5 | 304.0 | 307.5 | 304.0 |
| Mar | 309.0 | 306.0 | 310.0 | 308.0 |
| May | 309.5 | 307.0 | 309.0 | 308.2 |
| Aug | 317.0 | 313.5 | 317.6 | 316.5 |
| Oct | 312.0 | 308.5 | 312.0 | 309.0 |
| Dec | 309.5 | 303.5 | 308.5 | 306.0 |
| Mar | 312.0 | | 312.0 | 307.0 |

Turnover: Raw 1160 (1797) lots of 50 tonnes. White 448 (2279)
Paris- White (FFr per tonne): Dec 1630 Mar 1647, May 1656, Aug 1700, Oct 1670

**CRUDE OIL – IPE $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 32.75 | 32.10 | 33.29 | 32.55 |
| Dec | 31.15 | 30.50 | 31.38 | 30.90 |
| Jan | 29.75 | 29.35 | 29.97 | 29.65 |
| IPE Index | 32.20 | 33.38 | | |

Turnover: 7777 (5990)

**GAS OIL – IPE $/tonne**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 286.25 | 274.75 | 287.00 | 281.50 |
| Nov | 284.00 | 273.50 | 284.75 | 280.00 |
| Dec | 282.00 | 272.50 | 282.00 | 277.75 |
| Jan | 274.50 | 264.50 | 275.75 | 273.25 |
| Feb | 264.50 | 257.00 | 266.00 | 263.75 |
| Mar | 254.00 | 246.50 | 256.00 | 253.00 |
| Apr | 242.00 | 237.00 | 245.00 | 242.00 |

Turnover 13059 (9693)lots of 100 tonnes

**FRUIT AND VEGETABLES**

UK Conference pears are this week's best buy at 30-45p a lb (40-55p), reports the FFVIB. Cox's apples are a good buy at 40-65p a lb together with Bramley cookers. Bananas are abundant at 40-65p a lb as are kiwifruit and lemons. English onions remain good value at 12-20p a lb (12-20p), cabbage varieties at 20-35p a lb are plentiful along with potatoes at 8-14p a lb. English celery is an excellent salad buy at 35-45p a head (35-50p). Chinese leaves remain abundant at 85p-£1.20 per head as are iceberg lettuce at 40-60p each (60-80p).

**COCOA – London FOX £/tonne**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 703 | 702 | 704 | |
| Dec | 737 | 737 | 746 | 737 |
| Mar | 771 | 769 | 780 | 771 |
| May | 795 | 791 | 805 | 790 |
| Jul | 812 | 811 | 825 | 811 |
| Sep | 835 | 832 | 840 | |
| Dec | 858 | 856 | 870 | 868 |

Turnover: 1794 (4590) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 19 983.04 (989.85) 10 day average for Sep 20 984.28 (987.87)

**COFFEE – London FOX £/tonne**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 586 | 575 | 584 | 580 |
| Nov | 598 | 590 | 611 | 596 |
| Jan | 614 | 611 | 626 | 613 |
| Mar | 607 | 608 | 620 | 606 |
| May | 616 | 623 | 630 | 616 |
| Jul | 629 | 636 | 640 | 630 |
| Sep | 642 | 654 | 650 | |

Turnover: 6557 (5653) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 19: Comp. daily 75.36 (75.51). 15 day average 76.74 (76.86)

**POTATOES – BFE £/tonne**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 83.0 | 84.0 | 83.0 | |
| Apr | 133.3 | 133.8 | 133.0 | 132.0 |

Turnover 53 (121) lots of 40 tonnes.

**SOYABEAN MEAL – BFE £/tonne**

| | Close | Previous | High/Low |
|---|---|---|---|
| Oct | 105.50 | 107.00 | 106.50 |
| Dec | 114.00 | | 114.00 |

Turnover 28 (17) lots of 20 tonnes.

**FREIGHT FUTURES – BFE $10/index point**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 1190 | | 1190 | 1190 |
| Oct | 1154 | | 1170 | 1146 |
| Jan | 1145 | 1185 | 1175 | 1140 |
| Apr | 1150 | 1181 | 1179 | 1150 |
| BFI | 1188 | 1195 | | |

Turnover 671 (298)

**GRAINS – BFE £/tonne**

| Wheat | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 111.60 | 111.40 | 111.60 | 111.50 |
| Nov | 113.75 | 113.50 | 113.80 | 113.50 |
| Jan | 117.90 | 117.65 | 118.00 | 117.85 |
| Mar | 121.70 | 121.35 | 121.70 | 121.35 |
| May | 125.10 | 124.85 | 125.00 | |
| **Barley** | **Close** | **Previous** | **High/Low** | |
| Sep | 110.20 | 109.60 | 110.25 | 110.20 |
| Nov | 112.50 | 112.30 | 112.50 | |
| Jan | 116.70 | 116.70 | 116.70 | 116.60 |

Turnover: Wheat 180 (241), Barley 113 (120). Turnover lots of 100 tonnes.

**PIGS – BFE (Cash Settlement) p/kg**

| | Close | Previous | High/Low |
|---|---|---|---|
| Oct | 108.5 | 108.5 | 108.0 |
| Nov | 106.5 | 107.0 | 107.0 |

Turnover 25 (24) lots of 3,250 kg

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | Total daily turnover 17,150 lots | |
| Cash | 2215-20 | 234-9 | 2218 | 2217-8 | | |
| 3 months | 2096-7 | 2122-4 | 2117/2080 | 2093-8 | 2090-2 | 72,930 lots |
| **Copper, Grade A (£ per tonne)** | | | | | Total daily turnover 24,475 lots | |
| Cash | 1564-6 | 1570-90 | 1595/1590 | 1593-5 | | |
| 3 months | 1495-6 | 1517-8 | 1516/1482 | 1516-9 | 1490-2 | 107,901 lots |
| **Lead (£ per tonne)** | | | | | Total daily turnover 1,894 lots | |
| Cash | 441-2 | 457-9 | | 446-6 | | |
| 3 months | 450-1 | 447-9 | 454/449 | 454-5 | 460-1 | 10,767 lots |
| **Nickel ($ per tonne)** | | | | | Total daily turnover 3,545 lots | |
| Cash | 10350-75 | 10740-50 | 10500/10350 | 10475-500 | | |
| 3 months | 10175-200 | 10550-75 | 10800/10000 | 10300-25 | 10000-25 | 8,790 lots |
| **Tin ($ per tonne)** | | | | | Total daily turnover 1,918 lots | |
| Cash | 5815-20 | 5815-25 | | 5760-800 | | |
| 3 months | 5930-40 | 5920-1 | 5945/5920 | 5920-40 | 5935-40 | 6,327 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | Total daily turnover 8,471 lots | |
| Cash | 1500-5 | 1515-20 | 1550 | 1550-2 | | |
| 3 months | 1415-6 | 1436-7 | 1480/1412 | 1437-40 | 1416-20 | 19,672 lots |

LME Closing £/$ rate: SPOT: 1.8598 | 3 months: 1.8401 | 6 months: 1.8132 | 9 months: 1.7901

**LONDON BULLION MARKET**

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 387-387½ | 207-207½ |
| Opening | 384¾-385¼ | 205¾-205¼ |
| Morning fix | 385.00 | 205.536 |
| Afternoon fix | 388.85 | 207.081 |
| Day's high | 387½-388 | |
| Day's low | 384¾-385¼ | |
| **Coins** | **$ price** | **£ equivalent** |
| Maple leaf | 398-401 | 212-215 |
| Britannia | 398-401 | 212-215 |
| US Eagle | 398-401 | 213-215 |
| Angel | 398-401 | 212-215 |
| Krugerrand | 385-389 | 206½-208½ |
| New Sov. | 91-92 | 48¾-49½ |
| Old Sov. | 91-92 | 48¾-49½ |
| Noble Plat | 462.45-469.80 | 246.60-250.50 |
| **Silver fix** | **p/fine oz** | **US cts equiv** |
| Spot | 255.50 | 479.50 |
| 3 months | 264.75 | 486.95 |
| 6 months | 273.95 | 495.55 |
| 12 months | 292.15 | 518.50 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Nov | Jan | Nov | Jan |
| 1950 | 246 | 113 | 17 | 87 |
| 2100 | 137 | 54 | 57 | 174 |
| 2250 | 65 | 23 | 132 | 288 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2600 | 219 | 171 | 21 | 81 |
| 2750 | 116 | 99 | 68 | 154 |
| 2850 | 69 | 64 | 117 | 217 |
| **Coffee** | **Nov** | **Jan** | **Nov** | **Jan** |
| 550 | 53 | 76 | 5 | 12 |
| 600 | 21 | 44 | 23 | 30 |
| 650 | 6 | 24 | 58 | 60 |
| **Cocoa** | **Dec** | **Mar** | **Dec** | **Mar** |
| 700 | 62 | 103 | 25 | 32 |
| 750 | 36 | 75 | 48 | 54 |
| 800 | 20 | 54 | 83 | 83 |
| **Brent Crude** | **Nov** | **Dec** | **Nov** | **Dec** |
| 3000 | | | | |
| 3050 | | | 100 | |
| 3150 | | 230 | | 285 |

## New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 388.1 | 388.0 | 0 | 0 |
| Oct | 389.7 | 388.8 | 389.8 | 388.4 |
| Nov | 392.0 | 389.2 | 0 | 0 |
| Dec | 394.2 | 391.4 | 394.3 | 390.7 |
| Feb | 398.5 | 395.7 | 398.5 | 398.0 |
| Apr | 402.5 | 399.7 | 402.1 | 400.0 |
| Jun | 402.5 | 404.0 | 403.6 | 0 |
| Aug | 418.8 | 408.8 | 0 | 0 |
| Oct | 415.6 | 412.7 | 0 | 0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 452.1 | 456.6 | 0 | 0 |
| Oct | 454.1 | 458.6 | 457.5 | 448.5 |
| Jan | 460.7 | 465.3 | 464.0 | 455.5 |
| Apr | 466.4 | 471.0 | 480.5 | 464.0 |
| Jul | 472.1 | 476.7 | 475.0 | 0 |
| Oct | 477.6 | 482.2 | 0 | 0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 477.8 | 476.9 | 477.5 | 477.0 |
| Oct | 478.5 | 477.8 | 0 | 0 |
| Nov | 482.1 | 481.4 | 0 | 0 |
| Dec | 486.0 | 485.3 | 487.0 | 484.0 |
| Jan | 488.4 | 487.7 | 0 | 0 |
| Mar | 496.5 | 495.8 | 497.0 | 494.5 |
| May | 503.5 | 502.9 | 0 | 0 |
| Jul | 510.9 | 510.2 | 510.5 | 509.0 |
| Sep | 518.6 | 517.9 | 0 | 0 |
| Dec | 529.7 | 529.0 | 0 | 0 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 125.30 | 127.00 | 128.00 | 125.30 |
| Oct | 123.40 | 125.25 | 125.60 | 123.50 |
| Nov | 120.55 | 122.00 | 122.75 | 122.75 |
| Dec | 117.75 | 119.75 | 121.40 | 117.20 |
| Jan | 115.75 | 117.25 | 117.00 | 115.50 |
| Mar | 112.40 | 113.75 | 115.00 | 112.30 |
| Apr | 110.95 | 112.20 | 0 | 0 |
| May | 109.50 | 110.85 | 111.50 | 109.90 |
| Jun | 108.15 | 109.30 | 0 | 0 |
| Jul | 106.90 | 107.75 | 109.00 | 107.20 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 34.85 | 33.18 | 34.80 | 32.75 |
| Nov | 33.36 | 32.97 | 33.58 | 32.46 |
| Dec | 32.30 | 31.88 | 32.40 | 31.48 |
| Jan | 31.18 | 30.68 | 31.28 | 30.40 |
| Feb | 30.12 | 29.65 | 30.15 | 29.40 |
| Mar | 29.10 | 28.79 | 29.10 | 28.80 |
| Apr | 28.35 | 28.07 | 28.40 | 27.75 |
| Jun | 27.43 | 26.95 | 27.46 | 26.80 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 9100 | 8853 | 9140 | 8810 |
| Dec | 9278 | 9079 | 9279 | 9080 |
| Jan | 9150 | 8979 | 9179 | 9000 |
| Feb | 8800 | 8679 | 8860 | 8700 |
| Mar | 8425 | 8309 | 8475 | 8325 |
| Jun | 7675 | 7539 | 7800 | 7620 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 1254 | 1261 | 1277 | 1247 |
| Mar | 1298 | 1298 | 1316 | 1291 |
| May | 1333 | 1330 | 1347 | 1325 |
| Jul | 1362 | 1359 | 1369 | 1362 |
| Sep | 1393 | 1390 | 0 | 0 |
| Dec | 1428 | 1423 | 0 | 0 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 96.80 | 97.10 | 97.60 | 96.10 |
| Mar | 99.85 | 100.00 | 100.60 | 99.00 |
| May | 101.85 | 102.30 | 102.05 | 101.10 |
| Jul | 103.80 | 104.25 | 104.75 | 103.65 |
| Sep | 105.70 | 106.40 | 0 | 0 |
| Dec | 108.50 | 108.50 | 0 | 0 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 11.14 | 11.06 | 11.15 | 11.05 |
| Mar | 10.69 | 10.62 | 10.72 | 10.65 |
| May | 10.69 | 10.60 | 10.71 | 10.65 |
| Jul | 10.68 | 10.61 | 10.71 | 10.67 |
| Oct | 10.72 | 10.66 | 10.75 | 10.71 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 75.90 | 75.90 | 77.50 | 76.50 |
| Dec | 73.30 | 73.95 | 74.10 | 73.27 |
| Mar | 74.60 | 74.90 | 75.20 | 74.38 |
| May | 75.60 | 76.20 | 75.90 | 74.65 |
| Jul | 74.80 | 75.08 | 75.15 | 74.80 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 134.60 | 134.80 | 136.00 | 133.75 |
| Jan | 130.30 | 130.65 | 131.65 | 130.05 |
| Mar | 130.85 | 131.05 | 132.00 | 130.70 |
| May | 130.95 | 131.05 | 131.00 | 0 |
| Jul | 131.55 | 132.05 | 131.60 | 0 |

**INDICES**

**REUTERS** (Base: September 18 1931 = 100)

| Sep 20 | Sep 19 | mnth ago | yr ago |
|---|---|---|---|
| 1803.0 | 1785.1 | 1770.0 | 1922.1 |

**DOW JONES** (Base: Dec. 31 1974 = 100)

| | Sep 19 | Sep 18 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 129.90 | 129.43 | 133.08 | 129.77 |
| Futures | 131.98 | 132.28 | 134.33 | 130.69 |

## Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 617/2 | 617/6 | 624/4 | 618/4 |
| Jan | 631/6 | 632/2 | 638/4 | 630/4 |
| Mar | 644/6 | 645/2 | 651/2 | 644/0 |
| May | 653/4 | 655/0 | 660/4 | 653/0 |
| Jul | 661/0 | 662/0 | 667/4 | 660/4 |
| Aug | 653/0 | 656/4 | 662/0 | 653/0 |
| Sep | 633/0 | 635/0 | 635/4 | 633/0 |
| Nov | 626/6 | 627/2 | 631/0 | 626/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 23.57 | 23.43 | 23.68 | 23.38 |
| Dec | 23.76 | 23.61 | 23.85 | 23.54 |
| Jan | 24.01 | 23.88 | 24.12 | 23.80 |
| Mar | 24.31 | 24.17 | 24.45 | 24.13 |
| May | 24.50 | 24.40 | 24.65 | 24.40 |
| Jul | 24.80 | 24.48 | 24.75 | 24.50 |
| Aug | 24.50 | 24.40 | 24.55 | 24.40 |
| Sep | 24.45 | 24.35 | 24.50 | 24.40 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 178.3 | 180.1 | 181.1 | 178.2 |
| Dec | 182.6 | 183.9 | 185.2 | 182.5 |
| Jan | 184.4 | 185.6 | 186.7 | 184.2 |
| Mar | 187.5 | 188.5 | 189.5 | 187.0 |
| May | 188.5 | 189.6 | 190.5 | 188.5 |
| Jul | 190.1 | 191.0 | 192.0 | 190.0 |
| Aug | 189.0 | 190.0 | 190.5 | 189.0 |
| Sep | 187.0 | 190.0 | 190.0 | 187.0 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 223/6 | 222/2 | 226/4 | 221/4 |
| Mar | 233/2 | 232/2 | 235/6 | 230/6 |
| May | 239/6 | 238/4 | 242/0 | 237/4 |
| Jul | 244/0 | 242/6 | 245/4 | 242/4 |
| Sep | 242/6 | 241/6 | 243/0 | 241/2 |
| Dec | 244/0 | 243/4 | 244/2 | 242/4 |
| Mar | 249/6 | 0 | 249/6 | 249/0 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 268/2 | 269/2 | 272/2 | 267/6 |
| Mar | 283/0 | 285/4 | 287/0 | 282/4 |
| May | 291/6 | 293/0 | 295/0 | 291/0 |
| Jul | 298/4 | 298/2 | 300/4 | 298/4 |
| Sep | 302/4 | 303/0 | 304/4 | 302/4 |
| Dec | 268/2 | 269/2 | 272/2 | 267/6 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 79.40 | 79.67 | 79.60 | 79.20 |
| Dec | 77.25 | 77.40 | 77.27 | 76.87 |
| Feb | 75.55 | 75.72 | 75.60 | 75.20 |
| Apr | 75.95 | 76.00 | 76.00 | 75.70 |
| Jun | 73.75 | 73.90 | 73.80 | 73.52 |
| Aug | 71.95 | 72.05 | 72.07 | 71.85 |
| Oct | 72.00 | 72.05 | 72.00 | 0 |

**LIVE HOGS 30,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 54.22 | 53.82 | 54.25 | 53.70 |
| Dec | 52.95 | 52.40 | 53.00 | 52.25 |
| Feb | 49.75 | 49.12 | 49.80 | 49.25 |
| Apr | 46.22 | 45.85 | 46.30 | 45.85 |
| Jun | 50.22 | 50.25 | 50.40 | 50.05 |
| Jul | 50.25 | 50.25 | 50.40 | 50.25 |
| Aug | 49.00 | 48.90 | 49.10 | 48.90 |
| Oct | 43.80 | 43.85 | 0 | 43.80 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 57.40 | 56.40 | 57.75 | 56.22 |
| Mar | 57.55 | 56.37 | 57.85 | 56.20 |
| May | 58.00 | 57.00 | 58.20 | 57.00 |
| Jul | 58.15 | 56.67 | 58.15 | 56.60 |
| Aug | 55.25 | 55.25 | 0 | 0 |

# LONDON STOCK EXCHANGE

# European sellers trigger market fall

CONCERN over recessionary pressures on the British and US economies gathered pace in the UK stock market yesterday and, together with increasing alarm over the immediate fortunes of British companies, brought one of the heaviest one-day falls in the FT-SE Index this year. The index fell nearly 49 points to its lowest closing level since February 1989, with bank, property, and many industrial shares badly hit. The market closed flat, unsettled further by a weak opening on Wall Street.

European funds made a concerted effort to sell UK stocks as sterling continued to fall following the speech on Wednesday by Mr Karl Pöhl, the Bundesbank president, which some analysts interpreted as a possible barrier to early UK entry into the European exchange rate mechanism. There was also selling from Japan, while at the same time London was badly unsettled by reports of increased tensions in the Japanese banking industry. For good measure, the property and banking sectors reacted strongly to the continued concern over the state of the UK real estate market.

However, these international presures were somewhat upstaged at mid-morning by massive pressure on shares in Polly Peck, the troubled food, electronics and leisure group, which were suspended after falling by 108p on turnover of 36m shares.

The stock market, which had opened firmly, fell heavily for the rest of the day. The FT-SE Index ended 48.9 down at 2,016.9, its lowest close since April 11 last year. Institutional investors effectively backed away from the market as it plunged through Footsie 2,050.

Such was the sentiment that even Glaxo and Guinness, both of which pleased the market with trading statements, were finally brought down with the rest. Even the oils sector, which benefited initially from further gains in Brent crude prices, was later overwhelmed by a weak start on Wall Street, which fell more than 38 Dow points in London time.

Trading volume jumped to 517.7m shares from the 386.9m of the previous session, and traders said that yesterday's total would have been even higher but for difficulties in trading. A contributory factor may have been the absence of many leading dealers for the Jewish New Year holiday. This left a number of trading desks manned by less senior dealers, who were more ready to cut prices to avoid taking on heavy stock positions.

While badly shaken by yesterday's developments, some London securities houses kept their nerve. One leading house said its trading book was still 75 per cent weighted to the buy side, and a broking firm which had taken the lead in putting institutional cash into the market this week said its clients were still prepared to buy UK stocks.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: Sep 10 | Sep 24 | Oct 8 |
| Option Declarations: Sep 20 | Oct 4 | Oct 18 |
| Last Dealings: Sep 21 | Oct 5 | Oct 19 |
| Account Day: Oct 1 | Oct 15 | Oct 29 |

*New-time dealings may take place from 8.30 am two business days earlier.

## FINANCIAL TIMES STOCK INDICES

| | Sept 20 | Sept 19 | Sept 18 | Sept 17 | Sept 14 | Year Ago | 1990 High | 1990 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 78.41 | 78.45 | 78.29 | 78.31 | 78.27 | 85.78 | 84.20 (2/1) | 74.13 (30/4) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 87.00 | 87.01 | 87.04 | 87.10 | 87.10 | 96.09 | 92.91 (8/1) | 83.80 (30/4) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share | 1531.1 | 1576.1 | 1576.8 | 1606.1 | 1609.6 | 1962.9 | [illegible] (3/1) | 1531.1 (20/9) | 2008.6 (5/9/89) | 49.4 (26/6/40) |
| Gold Mines | 184.9 | 182.7 | 186.2 | 188.6 | 189.0 | 208.9 | 378.5 (8/2) | 167.9 (15/6) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2016.9 | 2065.8 | 2064.0 | 2094.3 | 2093.8 | 2390.9 | 2463.7 (3/1) | 2016.9 (20/9) | 2463.7 (3/1/90) | 986.9 (23/7/84) |
| Ord. Div. Yield | 6.21 | 6.02 | 6.02 | 5.91 | 5.76 | 4.15 | | | | |
| Earning Yld %(full) | 13.02 | 12.63 | 12.63 | 12.39 | 12.17 | 9.95 | | | | |
| P/E Ratio(Net)(☆) | 9.30 | 9.60 | 9.60 | 9.78 | 9.96 | 12.11 | | | | |
| SEAQ Bargns 4.45pm | 20,995 | 17,418 | 17,615 | 16,310 | 18,558 | 22,979 | | | | |
| Equity Turnover(£m)† | - | 742.22 | 639.93 | 627.45 | 619.09 | 1075.65 | | | | |
| Equity Bargains† | - | 16,966 | 16,167 | 16,163 | 16,954 | 24,965 | | | | |
| Shares Traded (ml)† | - | 334.5 | 312.2 | 270.1 | 324.5 | 441.8 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.16

Ordinary Share Index, Hourly changes — Day's High 1578.5 — Day's Low 1529.7

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 1578.4 | 1573.9 | 1565.6 | 1553.6 | 1556.7 | 1556.0 | 1544.8 | 1537.1 | 1531.0 |

FT-SE, Hourly changes — Day's High 2069.2 — Day's Low 2015.3

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2069.2 | 2062.7 | 2054.2 | 2040.7 | 2045.5 | 2045.3 | [illegible] | 2025.3 | 2017.1 |

### GILT EDGED ACTIVITY

| Indices* | Sept 19 | Sept 18 |
|---|---|---|
| Gilt Edged Bargains | 92.5 | 78.2 |
| 5 – Day average | 79.4 | 77.1 |

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

## TRADING VOLUME IN MAJOR STOCKS

| Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

# Hectic trade in Polly Peck

POLLY PECK recorded several backwardations as marketmakers desperately tried to stay off the bid during a 135p slide in the share price. Trading was hectic, with 36m shares changing hands before the 2.21pm suspension at 108p. The steepest fall during the day was triggered by the appearance on the Seaq ticker of a 7.9m share trade.

Sentiment was further hit by the disclosure that police attached to the Serious Fraud Office had visited the offices of South Audley Management, which is owned indirectly by Nadir family trusts. Mr Asil Nadir is the Polly Peck chairman.

Traders also mentioned the Iraqi seizure yesterday of Turkish assets as a factor in the fall. Much of Polly Peck's business is conducted in Turkey.

## Resilient STC

The electronics/telecoms group STC was one of only two Footsie stocks to remain in plus territory during a particularly difficult day. The shares closed 3 higher at 238p on turnover of 1.8m.

Behind the rise were market hints that the company could attract a predator after November 30 when the group receives the £780m cash (worth some 135p per STC share) from the sale of its 80 per cent stake in ICL to Japan's Fujitsu. The Office of Fair Trading yesterday cleared the sale of the stake to Fujitsu and EC clearance is expected shortly.

France's Alcatel and Germany's Siemens were suggested by market specialists as the most likely candidates to bid for STC. "They are both competing for the number one spot in European telecoms," said one analyst, who did not rule out Canada's Northern Telecom, which is sitting on a 27.2 per cent stake, as a potential bidder for the UK company.

Some analysts have put a break-up value in the region of 335p a share on STC, a figure similar to that paid by Northern Telecom when it acquired the stake in September 1987.

## BA in steep dive

A sharp downgrading by analysts of end of year forecasts for British Airways prompted heavy selling that dragged the price down 10½ to 150p, the lowest for two years. More than 10m shares had been traded by midday and the final turnover was 14m.

Charterhouse Tilney sold heavily after its analyst knocked £60m off his estimate for the year ending March 1991 and set a new forecast of £325m following discussions with the company on Wednesday.

Kleinwort Benson also traded "a decent proportion" of the turnover after it downgraded by £65m to £345m and took an increasingly pessimistic view of the company's future by moving the 1991/92 estimate from £370m to £250m.

However, UBS Phillips & Drew, broker to British Airways, maintained its confidence in the company and held to its end of year figure of £400m.

UBS analyst Mr Richard Hannah said: "I am working on the basis that the Gulf situation does not deteriorate further."

## Cookson crash

Heavy selling in Cookson, the industrial materials group, sent the stock crashing. The shares fell to 48p before closing 40 per cent down on the day at a six-year low of 54p; twelve months ago the shares peaked at 384p.

The group's problems have been well aired since the interim results disappointed the market earlier this month. A stretched balance sheet, a cyclical business, and the need for both cash and to make disposals have all been factors behind investment advice to "sell the stock on fundamentals."

News that Lonrho had started legal action to try to gain control of the London department store Harrods from the Al-Fayed brothers, who foiled the group's takeover attempt five years ago, left the shares 19 off at 215p. The Al-Fayeds paid £615m for Harrods' parent, the House of Fraser chain, in 1985.

Glaxo beat analysts' forecasts with full year profits 14 per cent higher at £1.14bn. The dividend was increased 26 per cent to 22p. Several analysts, however, trimmed current year forecasts for the stock. Mr Ian Moore at UBS Phillips & Drew took £30m from his estimate to £1.22bn, while Mr Paul Woodhouse replaced his £1.25bn forecast with £1.18bn, although the difference is smaller than appears because of a change in accounting practice at Glaxo. Mr Jonathan de Pass at BZW left his £1.28bn estimate unchanged.

All agreed that a slowdown was becoming apparent in the rate of sales growth of the company's money-spinning ulcer drug Zantac. Several analysts said that SmithKline Beecham was better value, being at a lower premium to the market and with the prospect of higher growth over the next year.

Glaxo rose 25 at one point but succumbed to the market's later weakness and closed 5 lower on the day at 716p. SmithKline fared better, rising 2 before easing to 539p, a net decline of 2.

Banking stocks were given a thorough shaking as worries about the growing list of UK corporate failures, to say nothing of bad debts by domestic private customers, was compounded by ever-growing rumours of problems in the US banking scene.

Hints that one of the Japanese banks had run into trouble were not taken too seriously by UK banking analysts. A specialist said: "There are obviously big problems in the US, where talk that one of the big money centre banks is about to go bust has been around for sometime." He added that the problems were centred on the quality of property loans, with the emphasis on one particular bank.

But the same analyst was relatively relaxed about the UK banks, which he said had suffered from another big profits downgrade, this time from one of the influential US investment banks. This has come, he added, so soon after the equally damaging downgrades carried out by such top-quality securities houses as S.G. Warburg, James Capel and Smith New Court, among others.

"The banks' yields are heavy and safe," the banks specialist said. "We have seen this sort of semi-panic before in the banks but the dividends have not been cut as far back as I can remember."

The heaviest fall in percentage terms was in Midland, which dropped 26 to 203p, albeit in thin volume of 2.5m shares, while Standard Chartered dipped 27 to 321p on turnover that failed to reach even 1m. There was genuine customer business in Barclays, 20 lower at 300p on turnover of 5.2m, and NatWest, 17 off at 235p on 7m. The latter was upset by worries over its US property exposure. The pain extended to Abbey National, which fell 9½ to 202½p.

Bank of Scotland shares celebrated the bank's elevation to FT-SE status. They touched 112p before closing 3 up on the day at 111p, helped additionally by a recommendation from Flemings Research.

Scottish & Newcastle slipped 12 to 317p after revealing talks which might lead to an offer for the shares and convertible bonds of Center Parcs that it does not already own.

Regal Hotel slumped 32 to 47p after saying that takeover talks announced on July 25 had ended.

There was widespread relief in the market with RMC's interim results. These showed pre-tax profits down only 5.4 per cent at £109.3m and an increased interim of 6.4p, although this was slightly below some of the more optimistic estimates. RMC shares managed a gain of 2 at 481p on thin turnover of 1.6m.

Redland, reporting interims on September 27, dropped 22 to 465p despite analysts' expectations that the group will manage a marginal increase in first-half profits. The construction stocks took more deep pain, with Barratt a further 14 off at 92p, and Beazer 15 lower at 93p in spite of a statement from the company that it knew of no reason for the steep decline in the shares other than general market conditions.

The hostile climate for building-related stocks took a toll on ECC and the price dropped 22 to 288p. Salomon Brothers said it was prudent to reduce expectations for the current year from £130m to £120m and to look for some slight recovery in 1991. "The new management approach to the business will leave it much stronger," concluded Salomon.

Alexander Proudfoot took comfort in higher annual profits and rose to 340p before settling 6 up on balance at 396p. USM-listed ASD was another to show a gain, ending 6 higher at 76p following the tender offer from Usinor Sacilor for 20 per cent of the shares at 155p cash per share.

Underpinned by a good interim statement – profits exceeded most expectations – Laporte brushed off the wider market weakness to close little changed at 444p. Foseco, however, revealed a half-yearly performance that failed to meet market estimates and closed 14 down at 174p.

News that Carlton Communications and Burton are to drop out of the FT-SE 100 left both stocks lower in anticipation of selling from index tracking funds. Carlton fell 21 to 313p and Burton 6 to 85p.

British Aerospace was affected by an announcement that a proposed merger with Thomson CSF of their respective guided weapons sectors was to be referred to the Monopolies and Mergers Commission and the shares dipped 11 to 538p.

APV, which produces equipment principally for the food and beverage industries, dropped 25 to 69p after the company announced static half-year profits of £24.6m, up only £400,000 from last year. The news prompted Hoare Govett to downgrade its end of year forecast from £62m to £51m.

Analysts said the results had a knock-on effect for Simon Engineering and Johnson Matthey, which fell 25 to 314p and 23 to 195p respectively.

P & O lost 16 to 484p on yet another broker's downgrading after the recent disappointing half-yearly figures. Salomon Brothers is now estimating full year profits of £295m, near the bottom of the current range of forecasts, which extends to £325m.

Interim figures for MB Group, a supplier of building products, were only marginally below expectations and the price rallied initially to 145p. However, the mood soon changed as analysts suggested that the performance was unlikely to be repeated in the second half. Sentiment was further undermined by a company statement stressing that profit improvements were taking much longer than expected to come through, and the price finished at 127p for a loss of 13.

Advertising agency Lowe jumped 153p at one point after Interpublic made an agreed 425p a share offer for the company. Interpublic has 29.9 per cent of the voting rights and almost 35 per cent of the shares. "The bid was a well kept secret," said one analyst. Lowe ended at 410p, up 145p.

Property shares fell as the market continued to worry about the affect of high interest rates and the severe setback in real estate in the UK.

Rosehaugh dropped 30 to 72p, while Stanhope, involved with Rosehaugh in the London Broadgate office development, fell 23 to 57p.

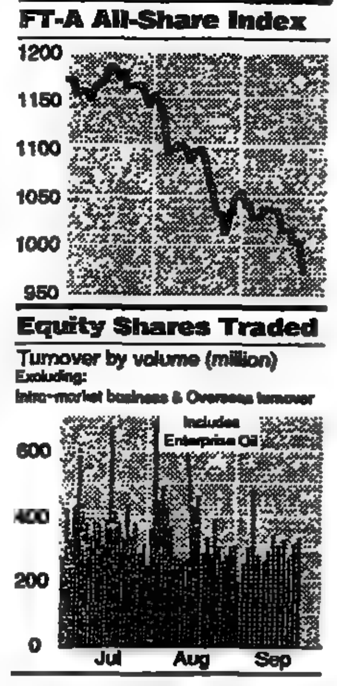
The prospect of UK interest rates remaining high also weighed heavily on sentiment. Among leading stocks, British Land lost 13 to 222p, while MEPC shed 14 to 419p. Other losers included Hammerson 'A', which lost 24 to 588p.

■ Other Market statistics, including the FT-Actuaries share index, Page 30

**FT-A All-Share Index**

**Equity Shares Traded**

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover




## NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (8).
BRITISH FUNDS (7) OILS (1).
NEW LOWS (632).
AMERICANS (4) CANADIANS (3) BANKS (22) BREWERS (3) BUILDINGS (48) CHEMICALS (17) STORES (22) ELECTRICALS (37) ENGINEERING (42) FOODS (8) HOTELS (10) INDUSTRIALS (124) Abbeycrest, Aberfoyle, Armour Trust, Assoc. Brit. Eng., Avon Rubber, BBA, Do. 6.7pc Pf., BOC, BSG Intl, BTR, Do. Warrants, Do. Warrants 1992/93, Barrett (Henry), Barry Wehmiller, Black Arrow, Bluebird Toys, Bowater 7¾pc Pf., Brammer, Bridon, Brit. Steel, Brown & Tawse, Bumdene, Business Tech., Campbell & Armstrong, Cathay Pacific, Celestion, Charter Cons., Chestergate, Christies Intl, Clearmark, Community Hospitals, Computer People, Cookson, Cooper (Alan), Cosalt, Courtney Pope, Dean & Bowes, Dobson Park, ECC, EIS, Ensor, Erskine House, Essello, Fenner, Gleves, Grampian Hldgs., Granada 7½pc Cv., Green (E) & Partners, Grovewood, Hampson Inds., Do. 6.5p Pf 1991/2000, Hanson, Do. Warrants, Harrisons & Crosfield, Hawtal Whiting, Hawthorn Leslie, Hepworth, Intercare, Ipeco, Johnson Cleaners, Johnson Matthey, Kalamazoo, Kershaw (A), Lilleshall, Lincat, London Finance & Inve., Low & Bonar, MB, Do. 7.25p Pf., MY, Mecarthy, Marling Inds., Morgan Crucible, Do. 7.5p Pf., NMC 7¼pc Pf., NMW Computers, Nestor-BNA, Norcros, Norfolk House, Office & Elect., Oriflame, Page (Michael), Pilkington, Do. Warrants, Plasticseal, Platignum, Portmeirion Pots, Rank Org., Rauma-Repola, Record, Reuters, Ricardo, St. Gobain, Scapa, Scot Heritable Tst., Securicor "A", Securiguard, Security Services, Siebe, Smith Inds., Somic, Stainless Metalcraft, Stat-Plus, Sthn. Business, Stocklake, Stormgard, Syltone, T & N, Tomkins, Do. 5¼pc Pf., Do. 5 5pc Pf., Trafalgar House, Unigroup, Unilever, Vinten, Wassall, Whitecroft, Williams, Do. 8p Pf., Do. 5½pc Pf., Witshaw, Wolseley, YRM, Yale & Valor, INSURANCE (6) LEISURE (19) MOTORS (17) NEWSPAPERS (6) PAPERS (24) PROPERTY (42) SHOES (1) TEXTILES (7) TRANSPORT (13) TRUSTS (133) OILS (8) OVERSEAS TRADERS (5) MINES (5) THIRD MARKET (5).

# APPOINTMENTS

## Directors of Aston Martin Lagonda

■ Mr Walter Hayes, who was involved with Ford's purchase of 75 per cent of the group, and Mr Peter Livanos, representing his family's minority interest, have been appointed to the group board of ASTON MARTIN LAGONDA.

■ Miss Jill Ardagh has been appointed director of EEC and international affairs at THE FOOD AND DRINK FEDERATION from November 1. She is director of European affairs at the Tobacco Advisory Council.

■ CITY LINK, Sunbury-on-Thames, a parcels carrier, has appointed Mr Peter Cheyne as sales and marketing development director, a new post. He was with TNT.

■ DAWSON INTERNATIONAL, Edinburgh, has appointed Mr Maurice T. Greig as marketing director of the cashmere, knitwear and fine yarns division.

■ BANKERS TRUST COMPANY has appointed Mr Angel Garcia Altozano as managing director, Spain and Portugal, and chairman of Bankers Trust Sociedad de Valores. He moves from Instituto Nacional de Industria, where he was a general manager, and replaces Mr Stephen A. Ferriss who is transferring to London as managing director, emerging markets.

■ C.H. INDUSTRIALS has appointed Mr Jock Douglas as non-executive deputy chairman. He is chairman of Castleforth Fund Managers, and a director of other companies.

■ UNITED CINEMAS INTERNATIONAL has promoted Mr Steve Knibbs from regional manager to director of operations.

■ FIDELITY INVESTMENTS, Tonbridge, has appointed Mr Bruce Johnstone as chief investment officer. He was executive vice president of Fidelity Management and Research Company, Boston, US.

■ Mr Norman W. Hayman has been appointed a director of EXPLAURA HOLDINGS. He is vice president of planning, Inco, a company which recently bought 6 per cent of Explaura's capital.

■ Dr Colin Knight will become group chief executive of WHATMAN, Maidstone, in place of Mr Jeremy Leigh Pemberton from January 1. Mr Pemberton continues as non-executive deputy chairman.

LONDON LIFE has appointed Mr Bob Williamson as manager, marketing. He was with the TSB Group, involved in the planning and marketing of Hill Samuel Services.

■ Mr Howard C. Everett has been appointed financial director designate at HILL & SMITH HOLDINGS. He was financial director of Rapid Metal Developments, and will succeed Mr Brian N. Bucknall who retires at the end of October.

■ Newly-formed WILLIS WRIGHTSON CARGO has appointed the following directors: Mr Bob Martin, chairman; Mr Brian Parncutt, deputy chairman and managing director, operations; Mr Alan Troman, managing director, client development; Mr Mike Barrand, Mr Michael Brown, Mr Bob Colegate, Mr Graeme Hall, Mr John Leathers, Mr Mike Pulford, and Mr Bob Tree, directors. The company is part of the Willis Group.

■ J.S. PATHOLOGY has appointed Sir Dermot de Trafford as a non-executive director from October 1. He was chairman of Low & Bonar, and of Calor.

■ LINFORD-BRIDGEMAN has promoted to director: Mr Norman Marsh, general manager; Mr David Ducie, estimating; Mr Rex Thurstan, surveying; Mr Michael Thompson, contracts; and Mr Charlie Clarke, restoration.

Mr Jim K. Monteith (pictured) has been appointed financial director of GARDINER NELSON ASSOCIATES, Teesside, part of the Foster Wheeler group. He is group chief accountant, divisional operations.

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| 1990 High | 1990 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 99½ | 96 | Treas. 10pc Cv 1990 | 99½ | | 10.05 | [illegible] |
| 98¾ | 93¾ | Exch 2½pc 1990 | 98¾ | | 2.54 | [illegible] |
| 99 | 97 | Treas 11¾pc 1991 | 99 | | 11.86 | [illegible] |
| 96 | 92 | Funding 5¾pc '87-91 | 96 | | [illegible] | [illegible] |
| 95 | 89¾ | Treas. 3pc 1991 | 95 | | 3.16 | [illegible] |
| 97 | 94 | Treas 10pc Cv '91 | 97 | | 10.29 | [illegible] |
| 97 | 94 | Exch. 11pc 1991 | 97¾ | | 11.25 | [illegible] |
| 94 | 90 | Treas. 8pc 1991 | 94 | +[illegible] | [illegible] | [illegible] |
| 101 | 97 | Treas 12¾pc 1992 | 99 | –[illegible] | 12.77 | [illegible] |
| 96 | 92¾ | Treas 10pc 1992 | 96 | | 10.37 | [illegible] |
| 93¾ | 89 | Treas. 8pc 1992 | 93 | | 8.55 | [illegible] |
| 97 | 93 | Treas 10½pc Cv 1992 | 96 | +[illegible] | 10.84 | [illegible] |
| 88 | 82 | Treas. 3pc 1992 | 88 | +[illegible] | 3.37 | [illegible] |
| 100 | 95 | Exch. 12¼pc '92 | 99 | | 12.33 | [illegible] |
| 104 | 98 | Exch 13½pc 1992 | 101 | | [illegible] | [illegible] |
| 92 | 86 | Treas 8¼pc 1993 | 91 | | 8.99 | [illegible] |
| 96 | 90 | Treas 10pc 1993 | 95 | | 10.50 | [illegible] |
| 103 | 96 | Treas 12½pc 1993 | 100 | | 12.41 | [illegible] |
| 86 | 82 | Funding 6pc 1993 | 86 | +[illegible] | 6.92 | [illegible] |
| 107 | 99 | Treas 13¾pc 1993 | 104 | –[illegible] | 13.22 | [illegible] |
| 91 | 84 | Treas. 8½pc 1994 | 90 | +[illegible] | 9.44 | [illegible] |
| 111 | 102 | Treas 14½pc 1994 | 106 | | 13.56 | [illegible] |
| 107 | 99 | Exch 13½pc 1994 | 103 | +[illegible] | 12.99 | [illegible] |
| 96 | 88 | Treas. 10pc Ln. 1994 | 94 | +[illegible] | 10.62 | [illegible] |
| 104½ | 96 | Exch. 12½pc 1994 | 101 | +[illegible] | 12.35 | [illegible] |
| 92½ | 85 | Treas 9pc 1994 | 90 | +[illegible] | 9.97 | [illegible] |
| 103 | 94 | Treas 12pc 1995 | 99 | +[illegible] | 12.03 | [illegible] |
| 81 | 73 | Exch 3pc Gas 90-95 | 79 | | 3.80 | [illegible] |
| 96 | 88 | Exch. 10¼pc 1995 | 93¾ | +[illegible] | 10.95 | [illegible] |

Five to Fifteen Years

| 1990 High | 1990 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Over Fifteen Years

| 1990 High | 1990 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Undated

| 1990 High | 1990 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## BRITISH FUNDS—Contd

Index-Linked

| 1990 High | 1990 Low | Stock | Price £ | + or – | Yield (1) | Yield (2) |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## INT. BANK AND O'SEAS

| 1990 High | 1990 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## CORPORATION LOANS

| 1990 High | 1990 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## COMMONWEALTH & AFRICAN LOANS

| 1990 High | 1990 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## LOANS

Building Societies

Public Board and Ind.

| 1990 High | 1990 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## FOREIGN BONDS & RAILS

| 1990 High | 1990 Low | Stock | Price £ | + or – | Div % | Red. Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## AMERICANS

| 1990 High | 1990 Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## AMERICANS—Contd

| 1990 High | 1990 Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 21½ | 7¾ | Chase Manhattan $12½ | 7¾ | –½ | $2.48 | – | 18.0 |
| 19¼ | 991p | Chem. Banking Corpn. | 991p | –21½ | $2.72 | – | 14.7 |
| 12¼ | 5 | Chrysler $6¼ | 5 | | $1.20 | – | 10.8 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## CANADIANS

| 1990 High | 1990 Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on next page

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## BANKS, HP & LEASING

| 1990 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| £13¾ | £9½ | ABN Amro Fl5 | £10 | +⅛ | Q28% | 2.1 | 8.4 | 5.6 |
| 303 | 186 | ANZ $A1 | 187 | +1 | 44c | 1.4 | 10.1 | 7.0 |
| 229 | 172 | Abbey National 10p | 282½ | –9½ | 5.7 | 4.3 | 3.8 | 8.2 |
| *274 | 144 | Allied Irish Ord | 149 | –5 | Q40% | 3.3 | 6.0 | 6.8 |
| | | For Algemene see ABN Amro | | | | | | |
| 85 | 51 | Anglo Irish | 52 | –2 | Q18.7% | 2.7 | 8.1 | 7.5 |
| 93 | 65 | Ansbacher (H.) 1p | 65 | | 2.5 | 1.3 | 5.1 | 18.7 |
| £71½ | £38¾ | Bancaire Cie Fr100 | £38¾ | –1⅛ | Q012½% | – | 3.4 | – |
| £22¾ | £13¾ | Banco Bilbao Viz | £13¾ | –⅛ | Q49.1% | 2.7 | 5.8 | 9.5 |
| 286 | 146 | Bank Ireland IrE1 | 146 | –7 | Q14.7% | 2.9 | 9.0 | 5.1 |
| £19½ | £18 | Bank Leumi | £19½ | | – | – | – | – |
| 350 | 320 | Bank Leumi (U.K.) | 350 | | †15.0 | – | 5.7 | – |
| 125 | 104 | Bank Scotland | 109 | +1 | 4.55 | 3.3 | 5.6 | 7.2 |
| 100¼ | 83¼ | Do. 9¼pc Irrd Pf | 96 | +½ | 9¼% | – | 12.8 | – |
| 54 | 39 | Bank of Wales | 44 | | 2.8 | 0.8 | 8.5 | (21.1) |
| 428 | 298 | Barclays £1 | 300 | –20 | ‡19.57 | 3.5 | 8.7 | 4.2 |
| 22 | 11 | Benchmark 20p | 12 | +1 | 0.75 | ● | 8.3 | ● |
| 335 | 260 | Brown Shipley £1 | 260 | –2 | 12.0 | 2.2 | 6.2 | 8.4 |
| *435 | 304 | Cater Allen £1 | 304 | –11 | ‡24.5 | – | 10.7 | – |
| 179 | 64 | Chancery | 72 | +3 | 9.0 | 2.7 | 16.7 | 2.9 |
| £23¼ | £16¼ | Commerzbk DM10 | £17¼ | –⅛ | Q18% | – | 3.6 | – |
| £13⅛ | 671 | Dai Ichi KBk Y50 | 675 | +4 | Q17% | ● | 0.5 | ● |
| £313⅛ | £210¼ | Deutsche Bk DM50 | £211¼ | +¾ | Q28% | – | 2.2 | – |
| £20⅞ | £15¼ | Espirito Santo | £16 | +½ | 075c | 5.1 | 2.5 | 7.8 |
| 253 | 172 | First Nat. Fin. 10p | 173 | –6 | 13.0 | 2.1 | 10.0 | 5.9 |
| 121 | 89 | FNFC 6.3pc Cv. Pf | 90 | –1 | 6.3% | – | 9.3 | – |
| £13⅛ | 724 | Fuji Bank Y50 | 724 | –47 | Q17% | ● | 0.4 | ● |
| 325 | 262 | Gerrard & National | 280 | –4 | 19.0 | – | 9.0 | – |
| 154 | 110 | Guinness Mahon 10p | 110 | | 2.1 | – | 2.5 | – |
| 328 | 194 | Hambros 20p | 209 | –1 | 11.5 | – | 7.3 | – |
| 128 | 90 | Do. 7.5pc Cv Pf | 91 | | 7½% | – | 11.0 | – |
| 53½ | 34 | HK & Shang. HK$2.50 | 35 | +1 | ‡‡030c | – | 7.3 | – |

### Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS – Contd

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## ELECTRICALS

## ELECTRICALS – Contd

## ENGINEERING

## ENGINEERING – Contd

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS (Miscel.) – Contd

## INDUSTRIALS (Miscel.) – Contd

## INSURANCES

## LEISURE

## MOTORS, AIRCRAFT TRADES

### Commercial Vehicles

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## MOTORS, AIRCRAFT TRADES — Contd

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PROPERTY

## PROPERTY — Contd

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRANSPORT

## INVESTMENT TRUST

## INVESTMENT TRUST — Contd

## INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

## FINANCE, LAND, ETC

## WATER

## OIL AND GAS

## OIL AND GAS — Contd

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

### Tins

## MINES — Contd

### Miscellaneous

## THIRD MARKET

For Swansgard Studios see LEISURE

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 72 | 24 | Oxford Virology 5p | 24 | -1 | | | |
| 83 | 61 | Puddington 5p | 77 | | | | |
| 118 | 65 | Ramsden's (Harry) | [illegible] | | L4.5 | 1.1 | 6.8 17.4 |
| 60 | 30 | Rentaminster 5p | 31 | | ta1.85 | 2.8 | 6.1 |
| 38 | 9 | Sempernova | [illegible] | -1 | | | 2.0 |
| 36 | 19 | Sleepy Kids 5p | [illegible] | | | | |
| 3½ | 1½ | Systems Connections | 2¼ | | | | |
| 94 | 58 | Tomorrows Leisure 20p | 60 | | 1.0 | | 2.3 |
| 55 | 27 | UPL Group 10p | 29 | | | | |
| 185 | 128 | Unit Group | 180 | | 5.0 | 1.8 | 3.7 20.3 |
| 69 | 28 | Video Magic Leis. 1p | 28 | | W2.0 | 0.7 | 9.5 22.4 |
| 6¼ | 2½ | Vista Ents 5p | 2½ | -¼ | | | |
| 18 | 8 | Vizcaya Hldgs 5p | [illegible] | | | | |
| 5½ | 2 | Wilton Group 1p | 2¼ | -¼ | | | 7.6 |

### NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ● Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- L No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989 K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987 Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Craig & Rose £1 γ | 700 | -100 |
| Finlay Pkg. 5p. γ | 52 | |
| Holt (Jos) 25p γ | 1305 | |

### IRISH

| | | |
|---|---|---|
| Cap. 8½% Ln. 1991 | £98 | |
| 9pc Cap Ln 1996 | £92½ | +½ |
| Fin. 13% 97/02 | £100½ | |
| Arnotts | 180 | |
| Carrol (P.J.) γ | 116 | +2 |
| Hall (R. & H.) | 165 | |
| Heiton Hldgs. γ | 50 | |
| IRG | 150 | |
| United Drug | 138 | |

## TRADITIONAL OPTIONS

3-month call rates

| Industrials | p |
|---|---|
| Allied-Lyons | 40 |
| Amstrad | 7 |
| Asset (BSR) | 6 |
| BAT | 45 |
| BOC Grp | 39 |
| BTR | 29 |
| Barclays | 27 |
| Blue Circle | 17 |
| Boots | 21 |
| Bowaters | 41 |
| Brit Aerospace | 43 |
| British Steel | 13 |
| Brit. Telecom | 22 |
| Cadburys | 26 |
| Charter Cons | 37 |
| Comm Union | 37 |
| Courtaulds | 25 |
| Eurotunnel | 55 |
| FKI | 5½ |
| FNFC | 20 |
| Gen Accident | 46½ |
| GEC | 14 |
| Glaxo | 57 |
| Grand Met | 44 |
| Guardian | 15 |
| GKN | 27 |
| Hanson | 16 |
| Hawker Sidd | 39 |
| ICI | 70 |
| Ladbroke | 22 |
| Legal & Gen. | 29½ |
| Lex Service | 20 |
| Lloyds Bank | 21 |
| Lucas Inds | 11 |
| Marks & Spencer | 18 |
| Midland Bk. | 20 |
| Nat West Bk. | 18 |
| P & O Dfd | 42 |
| Polly Peck | 40 |
| Racal Elect | 14 |
| RHM | 25 |
| Rank Org Ord. | 49 |
| Reed Intnl | 38 |
| STC | 19½ |
| Sears | 6½ |
| SmKl. Beecham A. | 44 |
| TI | 37 |
| TSB | 10 |
| Tesco | 19 |
| Thorn EMI | 49 |
| Trust Houses | 21 |
| T&N | 14 |
| Unilever | 50 |
| Vickers | 19 |
| Wellcome | 38 |

### Property

| | |
|---|---|
| Brit Land | 24 |
| Control Secs | 4 |
| Land Securities | 42 |
| MEPC | 38 |
| Mountleigh | 11 |

### Oils

| | |
|---|---|
| Aviva Petlm | 3½ |
| Brit Petroleum | 28 |
| Burmah Castrol | 44 |
| Conroy Petlm | 20 |
| Gaelic Res | 2 |
| Premier | 8½ |
| Shell | 48 |
| Tuskar Res | 6 |
| Ultramar | 32 |

### Mines

| | |
|---|---|
| Lonrho | 22 |
| RTZ | 48 |

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## AUTHORISED UNIT TRUSTS

**Abbey Unit Tst Mngrs (1000)H**
80 Holdenhurst Rd, Bournemouth 0345 717373

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| **High Income** | | | | | | |
| American Income | 6 | 42.29 | 42.29xd | 45.22 | +0.09 | [illegible] |
| Gilts & Fixed Int | 6 | 103.4 | 103.4xd | 109.7 | -0.1 | 10.00 |
| High Inc Equity | 6 | 117.5 | 117.5 | 125.6 | -0.9 | 5.06 |
| Worldwide Bond | 6 | [illegible] | [illegible] | [illegible] | +1.3 | [illegible] |
| **Capital Growth** | | | | | | |
| American Growth | 6 | 152.8 | 152.8 | 163.4 | +2.8 | [illegible] |
| Asian Pacific | 6 | 103.7 | 103.7 | 110.9 | +0.9 | [illegible] |
| Assets & Earnings | 6 | 139.9 | 139.9 | 149.6 | -0.8 | 3.14 |
| Capital Reserve Acc | 0 | 95.94 | 95.94 | 95.99 | +0.02 | 7.44 |
| Capital Reserve Inc | 0 | 80.64 | 80.64 | 80.68 | +0.02 | 7.44 |
| Commdty & Energy | 6 | 85.13 | 85.13xd | 91.04 | -0.79 | 1.12 |
| 1992 Enterprise | 6 | [illegible] | 53.98 | 57.30 | -0.29 | 3.40 |
| Euro Capital Acc | 6 | 84.88 | 84.88 | 90.78 | +0.23 | 1.09 |
| Euro Capital Inc | 6 | 81.50 | 81.50 | 87.16 | +0.22 | 1.09 |
| General | 6 | 151.2 | 151.2xd | 161.7 | -1.0 | 3.09 |
| Japan | 6 | 84.61 | 84.61 | 90.49 | +0.9 | 0.00 |
| Mastertrust | 6 | 76.33 | 76.33 | 81.63 | -0.33 | 2.07 |
| UK Growth Acc | 6 | 149.1 | 149.1 | 159.4 | -0.6 | 2.58 |
| UK Growth Dist | 6 | 97.39 | 97.39 | 104.1 | -0.3 | 2.58 |
| US Emerging Cos | 6 | 44.19 | 44.19 | 47.26 | +0.03 | 0.00 |
| Income & Growth | 6 | 257.8 | 257.8 | 275.7 | -2.6 | 3.72 |
| Ethical | 6 | 41.71 | 41.71 | 44.60 | -0.27 | 2.24 |
| International | 6 | 52.43 | 53.13 | 56.54 | +0.34 | [illegible] |
| Dividend & Growth | 6 | 39.98 | 40.94 | 43.55 | -0.28 | 5.17 |
| Global Gwth & Sec | 6 | 45.99 | 46.13 | 49.07 | -0.08 | 1.04 |

**Abtrust Management Ltd (1200)H**
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| Amer Inc & Growth | 5¼ | 26.93 | 26.93 | 28.63 | -0.25 | 2.75 |
| European | 5¼ | 72.07 | 72.07 | 76.55 | +0.06 | 0.00 |
| European Income | 5¼ | 73.22 | 73.22xd | 77.67 | +0.75 | 1.60 |
| Exempt | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Exempt Income | 3¼ | 151.7 | 151.7 | 160.3 | -1.3 | [illegible] |
| Exempt American | 3¼ | 321.1 | 321.1 | 334.2 | +6.20 | 1.45 |
| Exempt Pacific | 3¼ | 197.2 | 197.2 | 205.5 | [illegible] | [illegible] |
| Extra Income | 5¼ | 35.42 | 35.42xd | 37.81 | -0.58 | 6.37 |
| Far East Emrg Cos | 5¼ | 43.11 | 43.11 | 46.37 | -0.36 | 0.00 |
| Fund Inv Tst | 3 | 106.6 | 106.6 | 113.8 | -2.30 | 1.32 |
| Fund Inv Tst Acc | 3 | 168.5 | 168.5 | 179.8 | -2.30 | 1.40 |
| Gilt & Fixed Int | 5¼ | 15.66 | 15.91xd | 16.98 | -0.01 | 11.71 |
| Japan | 5¼ | 141.8 | 141.8xd | 150.5 | +1.90 | 0.00 |
| Pacific | 5¼ | 30.60 | 30.60 | 32.77 | -0.16 | 0.00 |

**Brown Shipley & Co Ltd – Contd.**

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| Recovery | 6 | 36.34 | 36.34 | 38.70 | -0.38 | 1.60 |
| Smaller Cos Acc | 6 | 200.8 | 200.8 | 215.9 | -1.6 | – |
| Smaller Cos Inc | 6 | 123.0 | 123.0 | 132.2 | -0.9 | 2.71 |

**Brycourt Unit Tst Mngmt Ltd (1400)F**
Hasketh Hse, Portman Sq, W1H 0JR 071-935 6302

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| Income Growth | 3 | 162.9 | 162.9 | 169.3 | .... | 6.62 |

**Buckmaster Mangmt Co Ltd (1200)H**
15 St Botolph Street, London EC3A 7JJ 071-247 4542

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| Emerging Gwth | 5¼ | 48.45 | 48.45 | 51.36 | -1.1 | 4.70 |
| (Accum Units) | 5¼ | 50.86 | 50.86 | 53.91 | -1.16 | 4.70 |
| Fellowship Tst ♥ | 5¼ | 50.97 | 51.72 | 55.03 | -0.08 | 4.02 |
| (Accum Units) ♥ | 5¼ | 54.14 | 54.94 | 58.45 | -0.09 | 4.02 |
| General Inc | 5¼ | 237.7 | 237.7 | 252.0 | -3.1 | 4.65 |
| (Accum Units) | 5¼ | 413.9 | 413.9 | 438.7 | -5.4 | 4.65 |
| Income | 5¼ | 136.5 | 136.5 | 144.7 | -1.9 | 5.21 |
| (Accum Units) | 5¼ | 277.2 | 277.2 | 293.8 | -3.8 | 5.21 |
| [illegible] ♥ | 5¼ | 84.20 | 84.20 | 89.25 | +0.43 | 0.00 |
| (Accum Units) ♥ | 5¼ | 116.3 | 116.3 | 123.3 | +0.9 | 0.00 |
| Smaller Co's | 5¼ | 87.68 | 87.68 | 92.94 | -1.63 | 2.79 |
| (Accum Units) | 5¼ | 98.25 | 98.25 | 104.1 | -1.9 | 2.79 |
| Inv Portfolio ♥ | 3 | 44.33 | 44.33 | 45.68 | -0.73 | 4.17 |
| (Accum Units) ♥ | 3 | 47.11 | 47.11 | 48.76 | -0.7 | 4.17 |
| High Income Port ♥ | 3 | 40.59 | 41.40 | 42.90 | [illegible] | [illegible] |

**Burrage Unit Tst Mangmt Ltd (0905)F**
117 Fenchurch St, London EC3M 5AL 071-480 7216

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| Short Dated Gilt | 1¼ | 58.37 | 58.37 | 59.34 | +0.02 | 12.82 |

**CCF Foster Braithwaite UT Mngt (1100)F**
1 White Hart Yard, London SE1 1NX 071-407 5966

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| CCF Sel High Inc Gwth | 5¼ | 40.16 | 40.16 | 43.41 | -0.45 | 6.57 |
| CCF Sel Nat Inc Eq Acc | 5¼ | 41.06 | 41.06 | 43.41 | -1.44 | 6.73 |
| CCF Sel Gbl Gwth | 5¼ | 38.98 | 38.98 | 42.06 | -1.05 | 0.00 |
| CCF Sel Inv Tst | 5¼ | 42.30 | 42.30xd | 46.72 | -0.37 | 2.65 |
| CCF Sel Inv Tst Acc | 5¼ | 42.90 | 42.90xd | 47.39 | -0.36 | 2.64 |
| CCF Sel UK Sm Co's | 5¼ | 41.22 | 41.22 | 45.35 | -0.46 | 2.36 |
| [illegible] | [illegible] | 41.83 | 41.83 | [illegible] | [illegible] | 2.36 |

**CCL Unit Trusts Ltd (1400)F**
74 Shepherds Bush Green W12 8SD 081-749 7070

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| UK General Tst | 5¼ | 49.52 | [illegible] | [illegible] | -0.93 | 2.80 |
| Global Tst | 5¼ | 36.34 | 36.31 | 39.05 | -0.37 | [illegible] |
| Recovery Tst | 5¼ | 40.91 | 42.30 | 44.89 | -0.75 | [illegible] |

**CIBC Unit Tst Managers plc (1200)H**
Cottons Ctr, Cottons Lane, Ldn SE1 2QL 071-234 6000

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| Growth Fd Acc | 5 | 109.2 | 110.4 | 116.5 | -0.3 | 5.35 |

**CIS Unit Managers Ltd (1000)F**
PO Box 105, Manchester M60 0AH 061-837 5060

**Newton Fund Mngrs Ltd (1200)F**
2, London Bridge, SE1 071-407 4404

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| Newton Income | 6 | 129.0 | 129.0 | 140.1 | -0.7 | 4.90 |
| Newton Global | 6 | 195.4 | 199.4 | 212.1 | -0.4 | 2.04 |
| Newton General | 6 | 90.28 | 92.64 | 98.55 | -0.6 | 4.72 |

**Norwich Union Tst Managers (1200)H**
PO Box 124, 51/59 Rose Lane, Norwich 0603 682234

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| Master Trust | 6 | 79.77 | 79.77xd | 84.83 | +0.02 | 3.38 |
| UK Equity† | 6 | 85.40 | 86.80xd | 92.34 | -0.59 | 3.73 |

**Schroder Unit Trusts Ltd – Contd.**

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| European Gwth | 5¼ | 49.00 | 49.32 | 52.46 | [illegible] | [illegible] |
| (Accum Units) | 5¼ | 49.15 | 49.47 | 52.62 | [illegible] | [illegible] |
| Euro Smllr Cos | 5¼ | 46.78 | 47.21 | 50.22 | -0.40 | [illegible] |
| (Accum Units) | 5¼ | 46.94 | 47.37 | 50.39 | -0.40 | [illegible] |
| Far Eastern Gwth ‡ | 5¼ | 40.99 | 41.68 | 44.33 | +0.03 | [illegible] |
| (Accum Units) ‡ | 5¼ | 40.99 | 41.68 | 44.33 | +0.03 | [illegible] |
| Fixed Interest | 5¼ | 43.29 | 43.29xd | 45.60 | +0.07 | [illegible] |
| (Accum Units) | 5¼ | 45.95 | 45.95 | 48.40 | +0.03 | [illegible] |
| Gilt Income | 5¼ | 84.20 | 84.20xd | 88.73 | +0.30 | [illegible] |

GUIDE TO UNIT TRUST PRICING

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Target Trust Mngrs Ltd (1600)F

Templeton Unit Trust Managers Ltd (1200)F

Thornhill Unit Trust Managers Ltd (1200)F

Three Counties Asset Mngmt Ltd (1430)F

Timberlake Trust Mngrs Ltd (0900)F

Touche Remnant Unit Tst Mngt Ltd (1600)F

Trades Union Unit Tst Mngrs (1200)H

Triton Fd Mngrs. Ltd. (1000)H

Tyndall Unit Tst Mngrs Ltd (1600)F

UK Unit Trust Managers Ltd (0900)F

UTAM Ltd (1340)F

United Charities Unit Trusts (1000)H

Wardley Unit Trust Mngrs Ltd (1200)F

Waverley Unit Tst Mngmt Ltd (1000)F

Wesley Asset Management (1330)F

Whittingdale Unit Tst Mngt Ltd

Willfire Financial Services Ltd (0900)F

Wright Seligman Fund Mngrs Ltd (1700)F

The Yorkshire Unit Tst Mngrs Ltd (1100)F

## OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Cent. Bd. of Fin. of Church of England

Charinco/Charishare (1000)F

CAFINVEST-Charities Aid Foundation

COIF-Charities Official Inv Fd

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Pens Mngt Ltd

Henderson Unit Trust Management Ltd

Lazard Brothers & Co. Ltd

Lazard London Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

NEM Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

## INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Access Life Assurance Co Ltd

Aitken Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co. Ltd

Black Horse Life Ass. Co. Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Citicorp British National

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical/Fidelity International – Contd.

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insur Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

MLA

Manchester Unity Assurance

Manulife Group PLC

Merchant Investors Assurance Co Ltd – Contd.

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

NM Schroder Assurance Ltd

N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Continued on next page

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| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Norwich Union Asset Management Ltd** | | | | |
| PO Box 124, Norwich NR1 1JS 0603 683986 | | | | |
| NUAM Funds | | | | |
| Managed Fund | 60.0 | 63.2 | -0.1 | – |
| Stock Market (Exp) Fund | 56.8 | 59.8 | -0.1 | – |
| Equity Fund | 63.6 | 67.0 | -0.4 | – |
| International Fund | 50.8 | 53.5 | +0.3 | – |
| European Fund | 62.0 | 65.3 | -0.1 | – |
| North American Fund | 50.3 | 53.0 | +0.8 | – |
| Pacific Fund | 53.2 | 56.0 | +0.3 | – |
| Property Fund | 87.0 | 91.6 | | – |
| Fixed Interest Fund | 51.2 | 53.9 | -0.2 | – |
| Index Linked Sec Fund | 57.7 | 60.7 | -0.1 | – |
| Deposit Fund | 65.1 | 68.6 | +0.1 | – |
| NUAM Retirement Plans | | | | |
| Mixed Fund | 64.9 | 68.4 | -0.1 | – |
| UK Ordinary Share Fd. | 73.0 | 76.8 | [illegible] | – |
| International Fund | 55.2 | 58.1 | +0.3 | – |
| Property Fund | 85.3 | 89.8 | | – |
| Fixed Interest Fund | 60.9 | 64.1 | -0.2 | – |
| Index Linked Sec Fund | 60.9 | 64.1 | [illegible] | – |
| Deposit Fund | 75.2 | 79.2 | | – |
| NUAM (MF) | | | | |
| Managed Fund | 851.1 | 895.9 | -1.5 | – |
| Equity Fund | 1757.3 | 1849.8 | -9.8 | – |
| International Fund | 134.1 | 141.2 | +0.7 | – |
| Property Fund | 550.7 | 579.7 | +0.1 | – |
| Fixed Interest Fund | 384.0 | 404.3 | -1.0 | – |
| Index Linked Sec Fund | 58.7 | 61.8 | -0.1 | – |
| Deposit Fund | 267.7 | 281.8 | +0.1 | – |
| **Norwich Union Life Insurance Soc.** | | | | |
| Surrey Street, Norwich NR1 3NG 0603 622200 | | | | |
| Unitised Life | | | | |
| With Profits Fd | 104.63 | 110.14 | +0.03 | – |
| Managed Fd. | 81.58 | 85.88 | -0.22 | – |
| UK Ord Share Fd. | 83.46 | 87.85 | -0.65 | – |
| International Fd. | 75.24 | 79.20 | +0.45 | – |
| European Fd. | 86.01 | 90.53 | -0.21 | – |
| North American Fd. | 76.75 | 80.79 | +1.15 | – |
| Pacific Fd. | 67.44 | 70.98 | [illegible] | – |
| Property Fd. | 99.93 | 105.19 | +0.02 | – |
| Fixed Int. Fd. | 92.55 | 97.43 | -0.14 | – |
| Intl Bond Fd. | 88.73 | 93.40 | +0.28 | – |
| Deposit Fd. | 105.31 | 110.85 | +0.03 | – |
| Unitised Pensions | | | | |
| With Profits Fd. | 137.60 | 144.84 | +0.05 | – |
| Managed Fd. | 130.17 | 137.02 | -0.34 | – |
| [illegible] | | | | |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Providence Capital Life Assc. Co Ltd – Contd.** | | | | |
| Individual Pension Funds | | | | |
| UK Equity Acc. | 200.1 | 211.1 | [illegible] | – |
| UK Fixed Interest Acc. | 188.2 | 198.6 | -0.2 | – |
| Intl Equities Acc. | 193.4 | 204.1 | -5.9 | – |
| UK Managed Acc. | 164.2 | 173.2 | -1.3 | – |
| Property Acc. | 207.9 | 219.4 | -0.2 | – |
| Money Acc. | 147.4 | 155.5 | +0.1 | – |
| Special Market Acc. | 210.9 | 222.5 | +1.0 | – |
| Japan Equity Acc. | 150.5 | 158.8 | +1.2 | – |
| North American Acc. | 106.5 | 112.4 | +1.6 | – |
| Pacific Acc. | 152.6 | 161.0 | +0.6 | – |
| Technology Acc. | 137.7 | 145.3 | +2.8 | – |
| Natural Resources Acc. | 101.2 | 106.8 | [illegible] | – |
| European Acc. | 110.1 | 116.2 | -0.8 | – |
| Residential Prop Acc. | 105.7 | 111.5 | | – |
| Swiss Equities Acc. | 33.6 | 35.5 | | – |
| Hong Kong Acc. | 46.7 | 49.3 | +0.9 | – |
| UK High Inc Eqy Acc. | [illegible] | 68.0 | -1.0 | – |
| Intl Fixed Interest Acc. | 52.1 | 55.0 | | – |
| Int Managed Acc. | 51.2 | 54.0 | -0.8 | – |
| Group Pension Funds | | | | |
| Equity Acc | 687.9 | 709.2 | -3.8 | – |
| Fixed Interest Acc | 556.5 | 573.8 | | – |
| Managed Acc | 117.8 | 120.1 | -0.3 | – |
| **Provident Life Assoc Ltd** | | | | |
| Provident Way, Basingstoke RG21 2SZ 0256 470707 | | | | |
| Unit Fund (Mixed) | 960.1 | 1008.1 | +0.1 | – |
| Equity Fund | 216.8 | 227.6 | | – |
| International Fd. | 125.5 | 131.8 | | – |
| Fixed Interest Fd. | 154.8 | 162.5 | | – |
| Property Fund | 227.3 | 238.7 | | – |
| Index-Linked Fund | 146.2 | 153.5 | | – |
| Deposit Fund | 154.6 | 162.3 | | – |
| Pens. Mixed (Ord) Fd | 233.5 | 245.2 | | – |
| Gold Pensions | | | | |
| Discretionary Fund | | 113.8 | | – |
| Equity Fund | | 112.0 | +0.1 | – |
| Fixed Interest Fund | | [illegible] | -0.1 | – |
| International Fund | | 96.7 | -0.1 | – |
| Property Fund | | 138.0 | | – |
| Index-Linked Fund | | 122.1 | | – |
| Deposit Fund | | 131.8 | | – |
| S & P Conservative | | [illegible] | | – |
| S & P Balanced | | 114.8 | -0.2 | – |
| S & P Maximum Growth | | 86.4 | -0.2 | – |

Royal Life Insurance Ltd [illegible]

Royal Liver Assurance [illegible]

Save & Prosper Group [illegible]

Scottish Amicable [illegible]

Scottish Equitable Life Assc. Soc. [illegible]

Scottish Life Investments [illegible]

Scottish Mutual Assurance Society [illegible]

Scottish Mutual Investments [illegible]

Scottish Provident Institution [illegible]

Scottish Widows' Group [illegible]

Skandia Life Assurance Co Ltd – Contd. [illegible]

Standard Life Assurance Company [illegible]

Sun Alliance Group [illegible]

Windsor Life Assur Co Ltd [illegible]

Zurich Life Assurance Co Ltd [illegible]

## OFFSHORE INSURANCES

[illegible]

Sun Alliance International Life [illegible]

Target International Group [illegible]

## MANAGEMENT SERVICES

[illegible]

J. B. Ward Financial Services Ltd [illegible]

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

Orion Fund Limited [illegible]

## CANADA (SIB RECOGNISED)

[illegible]

## GUERNSEY (SIB RECOGNISED)

[illegible]

## GUERNSEY (REGULATED)

[illegible]

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| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Arab Bank Fund Managers (Guernsey) Ltd** | | | | |
| ABL International Fund Ltd | | | | |
| US Dollar Money | $10.26 | 10.26 | +0.01 | − |
| Managed Currency | $10.30 | 10.32 | +0.04 | − |
| International Bond | $10.17 | 10.19 | +0.03 | − |
| **Baring Int Fund Managers Guernsey Ltd** | | | | |
| Mngd Portfolio (Dlr) | $10.13 | 10.76 | ... | − |
| Mngd Portfolio (Stlg) | £3.91 | 4.21 | ... | − |
| Baring Currency Fund Ltd | | | | |
| US Dollar | | $14.42 | +0.01 | − |
| Sterling | | £17.41 | +0.01 | − |
| Deutschemark | | DM37.67 | +0.02 | − |
| Japanese Yen | | Y3 768 | +2 | − |
| Managed | $39.99 | 41.98 | −0.30 | − |
| **Dantrust Management (Guernsey) Ltd** | | | | |
| Dantrust Limited | DKr114.20 | 114.51 | ... | − |
| **Fipart-Conseil Fund Mngrs (Guernsey) Ltd** | | | | |
| Hauteville G & B Fd. | SFr7 95 | 8 03 | − | 2.85 |
| **John Govett Mngmnt International Ltd** | | | | |
| Govett High Inc Gilt | £0.3367 | 0.3589 | +0.003 | 14.49 |
| Govett Far East Inv | $0.914 | 0.977 | −0.010 | − |
| Energy & Resources | $0.749 | 0.801 | −0.005 | − |
| **Hambros Fund Managers (CI) Ltd** | | | | |
| Japanese OTC | $9.0987 | 9.6773 | −0.540 | − |
| **Havelet Throgmorton Mngmt Ltd** | | | | |
| Int. Inv-Stlg High Inc | £9.740 | 10.274 | ... | 10.09 |
| Intl Inv-Intl High Inc | $48.111 | 50.704 | ... | 5.54 |
| **Henderson Admin. (Guernsey)** | | | | |
| Pref Res Prop Inc | £0.908 | − | | |
| Balanced Gwth $ Prtflo | $1.858 | 2.000 | −0.037 | − |
| Balanced Gwth £ Prtflo | £1.075 | 1.155 | −0.006 | − |
| Select Mkts $ Prtflo | $1.892 | 2.044 | −0.031 | − |
| Inc & Gwth $ Prtflo | $1.707 | 1.816 | −0.014 | − |
| High Income £ Prtflo | £0.591 | 0.625 | ... | − |
| **Hill Samuel Fd. Mngrs. (Guernsey) Ltd** | | | | |
| Guernsey Tst | 62.84 | 67.20 | −0.59 | 3.00 |
| **Kleinwort Benson Intl Fd Mngrs Ltd** | | | | |

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Sarasin (Isle of Man) Ltd** | | | | |
| Fergus Fd Sept 13 | | £12.10 | ... | − |
| UK Trend Sept 13 | | £8.80 | | |
| **Target International (Isle of Man) Ltd** | | | | |
| IMC Offshore Fd | £8.07 | 8.73 | ... | − |
| Fleet Street Inv Fd | £7.07 | 7.50 | ... | − |
| Offshore Income Fd Ltd | £8.95 | 9.41 | ... | − |
| Nelson Bilius W/W S/S | £9.51 | 10.04 | ... | − |
| Tattersall Intl Assets | £7.23 | 7.54 | − | − |
| **Tyndall International (Isle of Man) Ltd** | | | | |
| H.I. Gilt/Bulldog | 96.7 | − | | − |
| (Accum Shares) | 154.1 | 161.9 | −0.1 | − |
| **Unibank Scandinavian Fund Ltd** | | | | |
| Scandinavia Fd | 178.58 | 190.13 | ... | 1.0 |

## JERSEY (SIB RECOGNISED)

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or − | Yield Gr's |
|---|---|---|---|---|---|---|
| **Barclays International Funds** | | | | | | |
| PO Box 152, St Helier, Jersey CI 0534 67888 | | | | | | |
| [illegible] | 5¼ | £0.905 | 0.905 | 0.967 | [illegible] | 2.5 |
| Global Income (Inc) | 5¼ | £0.410 | 0.410 | 0.438 | [illegible] | 4.4 |
| Global Resources R. | 5¼ | £0.401 | 0.403 | 0.432 | [illegible] | 1.3 |
| Currency Fund | | | | | | |
| Stlg Premium Income R. | | £10.09 | | 10.10 | +0.01 | 13.8 |
| **Capital House Fund Mgrs (CI) Ltd (0900)H** | | | | | | |
| PO Box 189, Capital Hse, Bath St., St. Helier, Jersey | | | | | | |
| Tel. 0534 74689 (Dealing) 0534 73639 (Helpline) | | | | | | |
| Facsimile. 0534 79040 Telex. 4192136 | | | | | | |
| Capital House International Growth Funds Ltd ♦ | | | | | | |
| Equities | | | | | | |
| UK Equity | 5 | £1.049 | 1.061 | 1.126 | [illegible] | − |
| North American | 5 | $1.427 | 1.427 | 1.514 | [illegible] | − |
| Japanese | 5 | $1.475 | 1.475 | 1.565 | [illegible] | − |
| Pacific Basin | 5 | $2.277 | 2.277 | 2.417 | [illegible] | − |
| Continental European | 5 | $2.370 | 2.370 | 2.515 | [illegible] | − |
| Gold | 5 | $1.407 | 1.435 | 1.523 | [illegible] | − |
| Bonds | | | | | | |
| Sterling Bond | 5 | £1.328 | 1.328 | 1.401 | [illegible] | − |
| International Bond | 5 | $1.734 | 1.736 | 1.829 | [illegible] | − |
| Currencies | | | | | | |
| £ Sterling | 0 | £24.27 | | 24.27 | ... | 14.79 |

## JERSEY (REGULATED)

## IRELAND (SIB RECOGNISED)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Sterling continues to slide

THE DOLLAR remained firm yesterday as market participants believed there would be no early easing of US monetary policy. Meanwhile, sterling was depressed, particularly against the dollar, on lingering uncertainties over the timing of its membership of the European exchange rate mechanism.

In the absence of major economic statistics or policy statements, trading in the currency markets was quiet. Instead, dealers tried to assess the latest pronouncements by Mr Alan Greenspan, chairman of the Federal Reserve, and Mr Karl Otto Pöhl, president of the Bundesbank.

Mr Greenspan had stressed that inflation was still a major problem for the US. While the economy was growing "very slowly," there was still no evidence that a recession had begun. The market interpreted this as ruling out an early easing in monetary policy, which many analysts had believed was imminent. This continued to fuel the dollar's advance throughout the session.

In European trading hours the main feature was the execution in the London interbank market of three medium-sized orders of \$100m-\$300m each, involving the dollar for sterling, D-Marks and yen.

A deal involving the D-Mark/yen cross-rate was also executed. The transactions were spread across the buy and sell side, and this explained the dollar's mixed performance.

The dollar closed firmer at DM1.5805 from DM1.5680; at SFr1.3200 from SFr1.3055; and at FFr5.2875 from FFr5.2505. The Bank of England's dollar index finished 0.1 up at 62.9.

Sterling continued to weaken after Mr Pöhl had appeared to cast doubt on any early British entry to the ERM. But traders believed this initial interpretation of Mr Pöhl's remarks may have been incorrect. Mr Pöhl had been taking a longer term view and not discussing the immediate prospects for sterling's ERM entry.

None the less, Mr Pöhl's comments about the problems that the UK would have if it joins the ERM with a significantly higher inflation rate than the rest of Europe served to remind the London markets that entry into the ERM may not take place in November, their assumed month for entry.

Mr David Cocker, chief economic adviser at Chemical Bank, said: "Before Mr Pöhl's comments the markets had fully discounted membership of the ERM in November. Now there is a fear that inflation may not have peaked by then, which could make entry more difficult."

Mr Cocker added that he still believed sterling would join the ERM in November, "purely for political reasons," although he thought it possible that entry could be delayed until next spring.

Sterling closed unchanged at DM2.9550; but fell to \$1.8690 from \$1.8850; to FFr9.8825 from FFr9.8975; and rose to SFr2.4675 from SFr2.4600. The Bank of England's trade weighted sterling index eased 0.3 to 93.7. The pound rallied in New York to end at \$1.8730.

### £ IN NEW YORK

| Sep.20 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.8725-1.8735 | 1.8840-1.8850 |
| 1 month | 1.02-1.01pm | 1.08-1.07pm |
| 3 months | 2.98-2.96pm | 3.07-3.04pm |
| 12 months | 10.1-10.0pm | 10.3-10.2pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Sep.20 | Previous |
|---|---|---|
| 8.30 am | 93.7 | 94.8 |
| 9.00 am | 93.9 | 94.9 |
| 10.00 am | 93.7 | 94.9 |
| 11.00 am | 93.7 | 94.9 |
| Noon | 93.6 | 94.9 |
| 1.00 pm | 93.6 | 94.1 |
| 2.00 pm | 93.7 | 93.9 |
| 3.00 pm | 93.5 | 94.1 |
| 4.00 pm | 93.7 | 94.0 |

### CURRENCY MOVEMENTS

| Sep.20 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 93.7 | -18.4 |
| U S Dollar | 62.9 | -15.2 |
| Canadian Dollar | 103.2 | +0.7 |
| Austrian Schilling | 109.5 | +11.6 |
| Belgian Franc | 111.3 | -2.3 |
| Danish Krone | 110.5 | +5.0 |
| Deutsche Mark | 118.4 | +24.5 |
| Swiss Franc | 115.6 | +25.0 |
| Guilder | 114.2 | +16.0 |
| French Franc | 105.1 | -11.4 |
| Lira | 99.6 | -19.7 |
| Yen | 130.8 | +61.9 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.19.

### CURRENCY RATES

[illegible]

### OTHER CURRENCIES

| | £ | $ |
|---|---|---|
| Hong Kong | 14.5035 - 14.5070 | 7.7580 - 7.7600 |
| Iran | 123.70* | 66.20* |
| Korea(Sth) | 1337.90 - 1359.80 | 712.30 - 717.90 |
| Kuwait | N/A | N/A |
| Luxembourg | 60.60 - 60.70 | 32.40 - 32.50 |
| Malaysia | 5.0415 - 5.0540 | 2.6975 - 2.6995 |
| Mexico | 5423.15 - 5427.95 | 2897.00 - 2907.00 |
| N.Zealand | 3.0225 - 3.0275 | 1.6115 - 1.6135 |
| Saudi Ar. | 7.0225 - 7.0435 | 3.7495 - 3.7505 |
| Singapore | 3.2930 - 3.3010 | 1.7645 - 1.7665 |
| S.Af (Cm) | 4.8050 - 4.8175 | 2.5725 - 2.5740 |
| S.Af (Fn) | 7.1070 - 7.2740 | 3.8020 - 3.8910 |
| Taiwan | 50.95 - 51.05 | 27.25 - 27.30 |
| U.A.E. | 6.8735 - 6.8990 | 3.6700 - 3.6735 |

* Selling rate

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu Sep.20 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.1679 | 42.3920 | +0.53 | +0.20 | ±1.5508 |
| Danish Krone | [illegible] | 7.85591 | +0.74 | +0.41 | ±1.6453 |
| German D-Mark | 2.04446 | 2.06171 | +0.84 | +0.51 | ±1.1762 |
| French Franc | 6.85684 | 6.90382 | +0.69 | +0.36 | ±1.3618 |
| Dutch Guilder | 2.30358 | 2.32394 | +0.88 | +0.55 | ±1.5272 |
| Irish Punt | 0.763159 | 0.768183 | +0.66 | +0.33 | ±1.6689 |
| Italian Lira | 1529.70 | 1537.37 | +0.50 | +0.17 | ±1.5162 |
| Spanish Peseta | 132.889 | 129.139 | -2.82 | -3.15 | ±4.2705 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### POUND SPOT - FORWARD AGAINST THE POUND

| Sep 20 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.8665 - 1.8820 | 1.8685 - 1.8695 | 1.03-1.01cpm | 6.55 | 2.98-2.95pm | 6.35 |
| Canada | 2.1540 - 2.1725 | 2.1570 - 2.1580 | 0.41-0.30cpm | 1.97 | 1.19-1.04pm | 2.07 |
| Netherlands | 3.31¼ - 3.33¼ | 3.32 - 3.33 | 1¾-1⅝cpm | 6.54 | 5¼-5pm | 6.09 |
| Belgium | 60.40 - 60.90 | 60.60 - 60.70 | 34-27cpm | 6.03 | 93-78pm | 5.64 |
| Denmark | 11.16¾ - 11.26¼ | 11.16¼ - 11.17¼ | 4¼-3¾orepm | 4.30 | 11¼-10¾pm | 3.96 |
| Ireland | 1.0945 - 1.1105 | 1.1095 - 1.1105 | 0.45-0.40cpm | 4.59 | 1.15-1.05pm | 3.96 |
| W. Germany | 2.94¾ - 2.95¾ | 2.95¼ - 2.95¾ | 1⅝-1½pfpm | 6.35 | 4¾-4½pm | 6.35 |
| Portugal | 260.35 - 262.30 | 260.70 - 261.70 | 23-8cpm | 0.71 | parpm-60dis | -0.46 |
| Spain | 183.75 - 185.50 | 184.30 - 184.60 | 8-parcpm | 0.26 | parpm-13dis | -0.14 |
| Italy | 2194 - 2206½ | 2200¼ - 2201¼ | 10-9lirepm | 5.18 | 22½-20½pm | 3.90 |
| Norway | 11.37¼ - 11.43 | 11.37¼ - 11.38¼ | 4¾-3¼orepm | 4.15 | 11¼-10¼pm | 3.84 |
| France | 9.85 - 9.89¾ | 9.87¾ - 9.88¾ | 4¼-3¾cpm | 4.86 | 11¾-11pm | 4.53 |
| Sweden | 10.79 - 10.84½ | 10.80¼ - 10.81¼ | 2¼-1¾orepm | 2.43 | 5-3¾pm | 1.64 |
| Japan | 255 - 257¼ | 255 - 256 | 1¾-1¼ypm | 6.16 | 4¼-4pm | 6.36 |
| Austria | 20.70 - 20.80 | 20.75 - 20.78 | 12¼-10¼gropm | 6.18 | 31¼-29¼pm | 5.85 |
| Switzerland | 2.45¼ - 2.47¼ | 2.46¼ - 2.47¼ | 1½-1¼cpm | 6.99 | 4¼-4pm | 6.59 |
| ECU | 1.4195 - 1.4260 | 1.4230 - 1.4240 | 0.62-0.59cpm | 5.10 | 1.67-1.62pm | 4.62 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.74-5.69cpm. 12 Month 10.05-9.95cp

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Sep 20 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.8665 - 1.8820 | 1.8685 - 1.8695 | 1.03-1.01cpm | 6.55 | 2.98-2.95pm | 6.35 |
| Ireland† | 1.6970 - 1.7120 | 1.6985 - 1.6995 | 0.35-0.30cpm | 2.30 | 1.14-1.04pm | 2.57 |
| Canada | 1.1530 - 1.1575 | 1.1535 - 1.1545 | 0.42-0.46cdis | -4.58 | 1.23-1.29dis | -4.37 |
| Netherlands | 1.7660 - 1.7830 | 1.7795 - 1.7805 | parpm-0.03cdis | -0.10 | 0.09-0.13dis | -0.25 |
| Belgium | 32.20 - 32.50 | 32.40 - 32.50 | parpm-3cdis | -0.55 | 2-9dis | -0.68 |
| Denmark | 5.97¼ - 6.00½ | 5.97¼ - 5.98 | 1.00-1.30oredis | -2.31 | 3.40-4.00dis | -2.48 |
| W. Germany | 1.5665 - 1.5825 | 1.5800 - 1.5810 | parpm-0.02pfdis | -0.08 | 0.07-0.10dis | -0.22 |
| Portugal | 138.90 - 139.75 | 139.65 - 139.75 | 55-70cdis | -5.37 | 220-250dis | -6.73 |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 8½-8⅜ per cent; three years 8⅝-8½ per cent; four years 9-8⅞ per cent; five years 9⅛-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| Sep.20 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| DM | 0.338 | 0.632 | 1 | 86.46 | 3.345 | | | | | |
| YEN | 3.914 | 7.315 | 11.57 | 1000. | 38.68 | | | | | |
| F Fr. | 1.012 | 1.891 | 2.990 | 258.5 | 10. | | | | | |
| S Fr. | 0.405 | 0.757 | 1.197 | 103.5 | | | | | | |
| H Fl. | 0.301 | 0.562 | 0.889 | 76.84 | 2.972 | 0.742 | 1 | 661.7 | 0.649 | 18.24 |
| Lira | 0.455 | 0.850 | 1.343 | 116.1 | 4.492 | 1.122 | 1.511 | 1000. | 0.981 | 27.57 |
| C $ | 0.463 | 0.866 | 1.369 | 118.4 | 4.580 | 1.144 | 1.541 | 1019 | 1 | 28.10 |
| B Fr. | 1.649 | 3.082 | 4.872 | 421.3 | 16.30 | 4.069 | 5.482 | 3627 | 3.558 | 100. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## MONEY MARKETS

# Firm London rates

THE SHORT END of the money market was firm yesterday as sterling remained under pressure on worries over entry into the European exchange rate mechanism.

Three months money was quoted at 14$\frac{13}{16}$-$\frac{3}{4}$ per cent, unchanged on the previous close. One month was also steady at 14$\frac{13}{16}$-$\frac{3}{4}$ per cent, as was one year at 14½-14$\frac{7}{16}$.

In the futures market December short sterling was up 5 points at 85.71, just below the top of the day's 11 point range, as sterling moved off its worst levels against the D-Mark. The futures market is assuming at least a ½ point interest rate cut by the turn of the year, although in the money market there is a growing belief that a reduction in rates may not come until next year. This discrepancy has arisen out of uncertainty over the timing of sterling's membership of the ERM.

The futures market believes a reduction in rates will quickly follow sterling's membership of the ERM. The money market, on the other hand, is less optimistic, and sees high inflation preventing early ERM membership.

**UK clearing bank base lending rate 15 per cent from October 15, 1989**

The Bank of England continued to leave the market only slightly short of liquidity. It bought a total of £824m bills compared with its forecast shortage of £850m, its most generous credit stance adopted so far this week.

During the morning the Bank purchased £435m of bills. In band 1 it bought £303m of bank bills at 14⅞ per cent and in band 2 it purchased £132m at 14¾. Later in the morning it bought £196m of bills, of which £14m were in band 1 at 14⅞ per cent and £182m in band 2 at 14¾.

After lunch, the Bank bought a further £58m of band 2 bills at 14¾ per cent. Finally, late assistance of around £135m was provided. Among the factors contributing to the shortage were bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills, which drained £740m. A rise in the note circulation absorbed £90m, while bankers' balances below target accounted for a further £95m. But the shortage was partly offset by Exchequer transactions, which added £35m.

In Frankfurt German call money rates eased to 7.95-8.00 per cent from 7.95-8.05 per cent following the Bundesbank's injection of an additional DM2bn of liquidity at its regular tender for securities repurchase funds.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Sep.20) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 8⅛ | offer 8¼ | bid 8⅛ | offer 8¼ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** (4pm)

| | |
|---|---|
| Prime rate | 10 |
| Broker loan rate | 9¼ |
| Fed. funds | 8¼ |
| Fed. funds at intervention | - |

**Treasury Bills and Bonds**

| | | | |
|---|---|---|---|
| One month | 7.08 | Three year | 8.24 |
| Two month | 7.46 | Four year | 8.42 |
| Three month | 7.62 | Five year | 8.52 |
| Six month | 7.71 | Seven year | 8.77 |
| One year | 7.79 | 10-year | 8.89 |
| Two year | 8.08 | 30-year | 9.05 |

| Sep.20 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 7.95-8.05 | 8.10-8.25 | 8.20-8.35 | 8.25-8.40 | 8.55-8.70 | 8.00 |
| Paris | 9½-9⅝ | 9$\frac{13}{16}$-9$\frac{15}{16}$ | 10$\frac{1}{16}$-10$\frac{3}{16}$ | 10⅛-10¼ | 10⅜-10½ | 9.50 |
| Zurich | 5⅞-6¼ | 7⅝-7¾ | - | 7¾-8⅛ | - | - |
| Amsterdam | 8.05-8.20 | 8.25-8.31 | - | 8.30-8.45 | - | - |
| Tokyo | 7$\frac{11}{16}$-7$\frac{13}{16}$ | 8$\frac{5}{16}$-8$\frac{7}{16}$ | - | 8⅜-8½ | - | - |
| Milan | 9¾-10⅛ | 10-10¼ | - | 10½-10¾ | - | - |
| Brussels | 8.70 | 8$\frac{15}{16}$-9 | - | 9-9⅛ | - | - |
| Dublin | 10½-10⅝ | 10$\frac{11}{16}$-10$\frac{13}{16}$ | 10⅞-11 | 11-11⅛ | 11¼-11⅜ | - |

### LONDON MONEY RATES

| Sep 20 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 14$\frac{15}{16}$ | 14⅞ | 15 | 14$\frac{15}{16}$ | 14⅞ | 14⅝ |
| Interbank Bid | 13½ | 14⅝ | 14⅞ | 14$\frac{13}{16}$ | 14¾ | 14½ |
| Sterling CDs | - | - | 14$\frac{13}{16}$ | 14¾ | 14⅝ | 14⅜ |
| Local Authority Deps. | 14⅝ | 14$\frac{13}{16}$ | 14⅞ | 14$\frac{13}{16}$ | 14$\frac{11}{16}$ | 14⅝ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps. | 14⅞ | 14⅞ | 14$\frac{13}{16}$ | 14⅝ | - | - |
| Company Deposits | - | - | 14$\frac{15}{16}$ | 14⅞ | 14$\frac{13}{16}$ | 14½ |
| Finance House Deposits | - | - | 14$\frac{15}{16}$ | 14⅞ | 14$\frac{13}{16}$ | 14⅝ |
| Treasury Bills (Buy) | - | - | 14$\frac{13}{16}$ | 14⅝ | - | - |
| Bank Bills (Buy) | - | - | 14⅞ | 14$\frac{13}{16}$ | 13$\frac{15}{16}$ | - |
| Fine Trade Bills (Buy) | - | - | 15⅛ | 14$\frac{15}{16}$ | 14$\frac{11}{16}$ | - |
| Dollar CDs | - | - | 8.17 | 8.15 | 8.20 | 8.23 |
| SDR Linked Dep. Offer | - | - | 9⅛ | 9⅛ | 9¼ | 9⅜ |
| SDR Linked Dep. Bid | - | - | 8⅞ | 9⅛ | 9⅛ | 9¼ |
| ECU Linked Dep. Offer | - | - | 9$\frac{15}{16}$ | 10 | 10⅛ | 10⅜ |
| ECU Linked Dep. Bid | - | - | 9$\frac{11}{16}$ | 9⅞ | 10¼ | 10½ |

Treasury Bills (sell): one-month 14⅝ per cent; three months 14¼ per cent; six months 13¼ per cent; Bank Bills (sell): one-month 14$\frac{13}{16}$ per cent; three months 14⅝ per cent; Treasury Bills: Average tender rate of discount 14.2938 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1990. Agreed rates for period Sept 26,1990 to Oct 25, 1990, Scheme I: 15.80 p.c., Schemes II & III: 16.27 p.c. Reference rate for period Aug 1,1990 to Aug 31, 1990, Scheme IV&V: 15.021 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from September 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent, nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

## FINANCIAL FUTURES AND OPTIONS

[illegible]

### CAC-40 FUTURES (MATIF) Stock Index

| | Open | Close | Change | High | Low | Open Int. |
|---|---|---|---|---|---|---|
| September | 1578.0 | 1543.0 | -35.0 | 1580.0 | 1542.0 | 10,147 |
| October | 1580.0 | 1546.0 | -34.0 | 1580.0 | 1545.0 | 2,304 |
| November | 1587.0 | 1587.0 | -4.0 | 1587.0 | 1587.0 | 0 |
| December | - | - | - | - | - | 0 |

Estimated volume 13,985 Total Open Interest N/A

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 15 | Coutts & Co | 15 | NatWestminster | 15 |
| Adam & Company | 15 | Cyprus Popular Bk | 15 | Northern Bank Ltd | 15 |
| Allied Trust Bank | 15 | Duncan Bank PLC | 15 | Nykredit Mortgage Bank | 15½ |
| Allied Irish Bank | 15 | Duncan Lawrie | 15 | Provincial Bank PLC | 16 |
| ● Henry Ansbacher | 15 | Equatorial Bank plc | 15 | Roxburghe Bank Ltd | 15½ |
| Associates Cap Corp | 15½ | Exeter Trust Ltd | 15½ | Royal Bk of Scotland | 15 |
| ● B & C Merchant Bank | 15 | Financial & Gen. Bank | 15 | Royal Trust Bank | 15 |
| Bank of Baroda | 15 | First National Bank Plc | 16½ | ● Smith & Williamson Secs. | 15 |
| Banco Bilbao Vizcaya | 15 | ● Robert Fleming & Co. | 15 | Standard Chartered | 15 |
| Bank Credit & Comm. | 15 | Robert Fraser & Ptnrs. | 15½ | TSB | 15 |
| Bank of Cyprus | 15 | Girobank | 15 | Unibank plc | 15 |
| Bank of Ireland | 15 | ● Guinness Mahon | 15 | ● United Bk of Kuwait | 15 |
| Bank of India | 15 | HFC Bank plc | 15 | United Mizrahi Bank | 15 |
| Bank of Scotland | 15 | ● Hambros Bank | 15 | Unity Trust Bank Plc | 15 |
| Banque Belge Ltd | 15 | Hampshire Trust Plc | 15½ | Western Trust | 15 |
| Barclays Bank | 15 | Heritable & Gen Inv Bnk. | 15 | Westpac Bank Corp. | 15 |
| Benchmark Bank | 15 | ● Hill Samuel | §15 | Whiteaway Laidlaw | 15 |
| Brit Bk of Mid East | 15 | C. Hoare & Co. | 15 | Yorkshire Bank | 15 |
| ● Brown Shipley | 15 | Hongkong & Shangh | 15 | | |
| CL Bank Nederland | 15 | ● Leopold Joseph & Sons | 15 | | |
| ● Charterhouse Bank | 15 | Lloyds Bank | 15 | | |
| Citibank NA | 15 | Meghraj Bank Ltd | 15 | | |
| City Merchants Bank | 15 | McDonnell Douglas Bnk. | 15 | | |
| Clydesdale Bank | 15 | Midland Bank | 15 | | |
| Comm. Bk. of London Plc | 15 | Mount Banking | 15 | | |
| Co-operative Bank | *15 | Nat. Bk. of Kuwait | 15 | | |

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# MONEY MARKET FUNDS

## Money Market Trust Funds

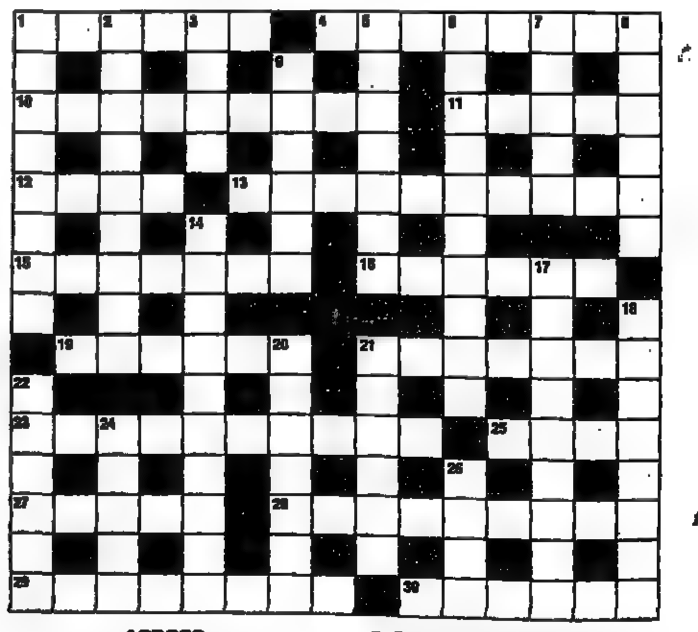
## Money Market Bank Accounts

[illegible]

JOTTER PAD

# CROSSWORD

No.7,347 Set by VIXEN



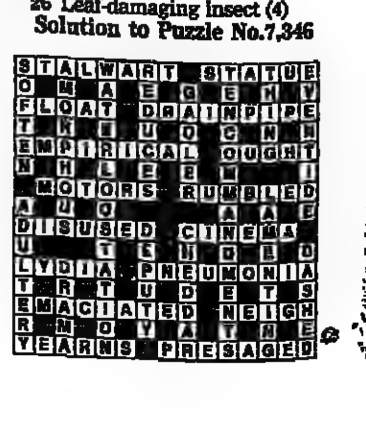
ACROSS

1 A predatory bird's large kill (6)
4 Make a song about credit gumming things up (8)
10 Lying reporters admitting one point (9)
11 Musical composition number ten to be broadcast (5)
12 Wise cooks will use this (4)
13 Leading pawnbroker – a member of the family (5-5)
15 Animal chased by boy making a wild rush (7)
16 He'll get nearer maybe (6)
19 Complete set of books written in the country (6)
21 22 grain production in the north-west (7)
23 Loyalty for example occupying a union (10)
25 A sportsman in very low spirits (4)
27 A vandalising urge is such a boring thing! (5)
28 In the sun and air, though with no money for it (9)
29 Install as the ruling chairman (8)
30 The leftist taking in a worker talked big (6)

DOWN

1 Those people set against work with models (8)
2 Cultivator of quiet lake island (9)
3 Some cynics believe nobody is on the level (4)
5 Willing to examine a note (7)
6 Going along together to study course (10)
7 Ancient Greek – one over one hundred (5)
8 Gain the impression a woman is after a gun (6)
9 Transport here's a problem (6)
14 Well he just won't exert himself! (10)
17 Soothing character – till one rebels (9)
18 "That —— Bowl they call the Sky" (Omar Khayyam) (8)
20 Absurdly naive, so makes an excuse (7)
21 Break concerning the engineer going over a sea-going vessel (6)
22 Being on time, take control (6)
24 A clue that's not at all taxing (5)
26 Leaf-damaging insect (4)

Solution to Puzzle No.7,346



# WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · MALAYSIA · SINGAPORE — September 20 price lists: [illegible]

## CANADA

### TORONTO
Closing prices September 20

[illegible]

### MONTREAL
Closing prices September 20

[illegible]

Total Sales 6,880,479 shares.

## INDICES

### NEW YORK

| DOW JONES | Sept. 20 | Sept. 19 | Sept. 18 | Sept. 17 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ◊Industrials | 2518.32 | 2557.43 | 2571.29 | 2567.33 | 2999.75 (16/7) | 2483.42 (23/8) | 2999.75 (16/7/90) | 41.22 (2/7/32) |
| Home Bonds | 89.29 | 89.26 | 89.11 | 89.35 | 93.04 (3/1) | 88.46 (2/5) | — | — |
| Transport | [illegible] | 888.31 | 901.44 | 887.94 | 1212.77 [illegible] | 861.31 [illegible] | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 200.33 | 201.52 | 200.52 | 199.89 | 236.23 (2/1) | 190.96 (24/8) | 236.23 (2/1/90) | 10.50 (8/4/32) |

◊Day's High 2549.01 (2594.39) Low 2495.54 (2534.41)

### STANDARD AND POOR'S

| | Sept. 20 | Sept. 19 | Sept. 18 | Sept. 17 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 311.48 | 316.60 | 318.60 | 317.77 | 368.95 (16/7) | 307.06 (23/8) | 368.95 (16/7/90) | 4.40 (1/6/32) |
| Industrials (Latest) | 367.65 | 374.05 | 376.71 | 375.83 | 437.37 (16/7) | 362.23 (23/8) | 437.37 (16/7/90) | 3.62 (21/6/32) |
| Financial | 22.01 | 22.98 | 22.77 | 22.90 | 31.87 (3/1) | 22.01 (20/9) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 171.22 | 173.91 | 174.88 | 174.62 | 201.13 (16/7) | 168.88 (23/8) | 201.13 (16/7/90) | 4.46 (28/4/42) |
| Amex Mkt. Value | 317.18 | 318.97 | 319.69 | 321.71 | 382.45 (5/1) | 315.85 (23/8) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 364.43 | 371.68 | 372.21 | 374.11 | 469.60 (16/7) | 360.22 (23/8) | 485.73 (9/10/89) | 54.87 (31/10/72) |

| | Sept 14 | Sept 7 | Aug 24 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.95 | 3.86 | 4.29 | 3.76 |

| | Sept 20 | Sept12 | Sept 5 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 3.29 | 3.28 | 3.24 | 2.81 |
| S & P Ind. P/E ratio | 15.12 | 15.44 | 15.47 | 14.42 |

### NEW YORK ACTIVE STOCKS

| Thursday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Gen Electric | 3,300,100 | 55½ | - ½ |
| Pepsico | 2,636,700 | 22¼ | - ⅜ |
| Philip Morris | 2,139,400 | 45 | - 1 |
| Waste Man | 1,802,700 | 33¼ | - 1½ |
| Royal Dutch | 1,750,100 | 81 | - ⅞ |
| Exxon | 1,741,400 | 51½ | - ⅛ |
| [illegible] | 1,669,300 | 32¾ | - ¼ |
| Wal-Mart Stores | 1,393,300 | 26⅞ | - ¼ |
| Limited Inc | 1,338,200 | 14 | - ⅜ |
| Chase Man | 1,324,100 | 13⅞ | - ¼ |

### TRADING ACTIVITY

| † Volume (Millions) | Sept. 20 | Sept. 19 | Sept. 18 |
|---|---|---|---|
| New York | 145,100 | 147,530 | 141,130 |
| Amex | 9,348 | [illegible] | 8,480 |
| NASDAQ | (a) | 120.867 | 115.073 |
| Issues Traded | 1,971 | 1,966 | 1,960 |
| Rises | 286 | 577 | 619 |
| Falls | 1,241 | 888 | 830 |
| Unchanged | 444 | 501 | 511 |
| New Highs | 6 | 19 | 20 |
| New Lows | 259 | 139 | 188 |

### CANADA

| TORONTO | Sept 20 | Sept 19 | Sept 18 | Sept 17 | 1990 HIGH | 1990 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3034.39 | 3079.30 | 3062.06 | 3034.67 | 3453.05 (4/2) | 2850.80 (23/4) |
| Composite | 3256.36 | 3275.58 | 3266.69 | 3262.00 | 4009.47 (3/1) | 3253.68 (14/9) |
| MONTREAL Portfolio | 1715.54 | 1726.13 | 1716.52 | 1708.08 | 2060.90 (3/1) | 1698.67 (14/9) |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | Sept. 20 | Sept. 19 | Sept. 18 | Sept. 17 | 1990 HIGH | 1990 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1446.6 | 1459.7 | 1472.3 | 1477.5 | 1713.7 (2/1) | 1434.5 (30/4) |
| All Mining (1/1/80) | 727.0 | 728.0 | 739.2 | 736.4 | 860.8 (5/1) | 711.7 (2/7) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 458.46 | 463.86 | 467.01 | 482.32 | 703.29 (19/3) | 458.46 (20/9) |
| **BELGIUM** | | | | | | |
| Brussels SE (Cap Mkt) (1/1/80) | 5211.19 | 5246.06 | 5336.27 | 5397.28 | 6999.43 (12/1) | 5211.19 (20/9) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | (u) | 351.73 | 353.40 | 355.61 | 388.29 (20/7) | 347.69 (23/8) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | [illegible] | 458.4 | 460.6 | 471.5 | 677.3 (3/1) | 444.1 (20/9) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 428.76 | 433.02 | 436.06 | 437.60 | 564.62 (30/5) | 417.98 (22/8) |
| CAC 40 (31/12/87) | 1540.60 | 1570.28 | 1579.93 | 1604.02 | 2129.32 (30/4) | 1540.60 (20/9) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 627.79 | 634.66 | 647.66 | 654.72 | 832.32 (19/7) | 627.79 (20/9) |
| Commerzbank (1/12/53) | 1800.7 | 1820.3 | 1855.8 | 1876.4 | 2414.0 (3/4) | 1800.7 (20/9) |
| DAX (30/12/87) | 1457.51 | 1487.34 | 1507.27 | 1541.15 | 1968.55 (30/3) | 1457.51 (20/9) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 2984.54 | 2980.95 | 2996.66 | 3019.87 | 3559.89 (23/7) | 2738.24 (1/2) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1265.03 | 1283.70 | 1290.66 | 1278.74 | 1893.10 (22/1) | 1259.61 (7/9) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 572.22 | 583.46 | 595.68 | 600.15 | 763.52 (14/6) | 572.22 (20/9) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 23602.98 | 23726.17 | 23884.82 | 24365.60 | 38712.88 (4/1) | 23602.98 (20/9) |
| Tokyo SE (Topix) (4/1/68) | 1767.97 | 1799.72 | 1816.33 | 1860.19 | 2867.70 (4/1) | 1767.97 (20/9) |
| 2nd Section (4/1/68) | 3394.54 | 3409.74 | 3474.99 | 3544.15 | 4477.16 (16/7) | 3313.92 (3/4) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 518.58 | 525.18 | 528.43 | 533.88 | 632.22 (1/8) | 480.77 (23/8) |
| **NETHERLANDS** | | | | | | |
| CBS Ttl.Rtn.Gen (End 1983) | 240.1 | 243.2 | 243.1 | 244.3 | 271.9 (20/7) | 236.7 (23/8) |
| CBS All Shr (End 1983) | 176.3 | 178.5 | 178.5 | 179.4 | 206.3 (3/1) | 176.1 (24/8) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 853.85 | 864.77 | 875.79 | 871.20 | 915.13 (2/8) | 701.67 (2/1) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 643.91 | 621.51 | 615.39 | 625.57 | 1160.70 (21/3) | 615.39 (18/9) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 331.89 | 333.43 | 334.78 | 338.35 | 446.87 (16/7) | 321.66 (23/8) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1497.06 | 1506.0 | 1533.0 | 1566.0 | 2230.0 (16/1) | 1322.0 (20/6) |
| JSE Industrial (28/9/78) | 2687.06 | 2698.0 | 2731.0 | 2799.0 | 3211.0 (6/2) | 2687.0 (20/9) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 585.19 | 592.80 | 589.42 | 566.27 | 928.82 (4/1) | 566.27 (17/9) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 224.14 | 225.06 | 224.76 | 230.10 | 300.74 (16/7) | 224.14 (20/9) |
| **SWEDEN** | | | | | | |
| Affarsvärlden Gen. (1/2/37) | 1086.7 | 1090.1 | 1089.6 | 1112.7 | 1320.9 (5/7) | 1086.4 (23/8) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 652.5 | 662.7 | 666.0 | 673.3 | 845.5 (13/7) | 652.5 (20/9) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 2956.72 | 3159.27 | 3290.65 | 3396.51 | 12495.34 (10/2) | 2956.72 (20/9) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 647.35 | 686.63 | 687.93 | 702.48 | 1143.78 (25/7) | 647.35 (20/9) |
| **WORLD** | | | | | | |
| M.S. Capital Intl. (1/1/70) | (u) | 464.0 | 460.0 | 463.7 | 571.0 (4/1) | 448.3 (24/8) |

**Saturday September 15: Taiwan Weighted Price: 3362.25. Korea Comp Ex. 590.62

◊ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks
Thursday 20 September 1990

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Kobe Steel | 16.6m | 539 | +4 |
| Sanyo Electric | 13.9m | 681 | -16 |
| Nippon Steel | 11.9m | 440 | -6 |
| Isuzu Co | 10.4m | 1,180 | 0 |
| MHI | 8.3m | 724 | -11 |
| Hitachi | 6.3m | 1,180 | -10 |
| NKK | 6.2m | 421 | -10 |
| All N'pon A'ways | 5.9m | 1,320 | -20 |
| Marubeni | 5.5m | 668 | +6 |
| Shizuoka Bank | 5.2m | 1,010 | -20 |

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

4pm prices September 20

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A – A – A – | | | | | | | | |
| 37½ | 14⅛ | AAR | .48 | 3.5 | 9 | 387 | 14⅛ | d13⅝ | 13⅝ | – ⅜ |
| 9¾ | 7¾ | ACM n | 1.01 | 13. | | 382 | 8⅛ | 7⅞ | 8 | |
| 11⅝ | 9¾ | ACMIn | 1.26 | 13 | | 441 | 9⅝ | 9⅜ | 9½ | |
| 9¾ | 6¾ | ACM M | n1.01 | 15. | | 363 | 7 | 6⅞ | 6⅞ | |
| 12⅜ | 10 | ACMMM | 1.50 | 13. | | 259 | 11¾ | 11½ | 11½ | – ⅛ |
| 11½ | 9¼ | ACM Sc | 1.26 | 13. | | 1351 | 9½ | 9⅜ | 9⅜ | – ⅛ |
| 9⅞ | 7¾ | ACMSp | 1.01 | 13. | | 1186 | 8 | d 7½ | 7½ | – ⅜ |
| 24⅝ | 14⅝ | AL Lab | .16 | .8 | 17 | 303 | 19¼ | 19 | 19 | – ⅝ |
| 5¾ | 1¼ | AM Intl | | | | 447 | 1½ | 1⅜ | 1½ | + ⅛ |
| 23⅛ | 7 | AM In pf | 2 | 24. | | 25 | 8½ | 8¼ | 8½ | + ⅛ |
| 107⅛ | 41⅝ | AMR | | | 9 | 1653 | 42¼ | d41½ | 41⅝ | – ⅝ |
| 4⅛ | 2⅞ | ARX | | | 10 | 27 | 3¼ | 3 | 3¼ | |
| 72¼ | 42 | ASA | 3a | 6.2 | | 888 | 48½ | 47⅞ | 48½ | + ⅝ |
| 46⅝ | 30⅝ | AbtLab | s.84 | 2.1 | 19 | 10697 | 40¼ | 39½ | 39⅝ | – 1½ |
| 14⅞ | 11¼ | Abitibi | g .50 | | | 14 | 13⅜ | 13¼ | 13¼ | |
| 11⅝ | 5⅞ | AcmeC | .40 | 6.7 | 7 | 34 | 6¼ | 6⅞ | 6 | |
| 32⅝ | 18⅞ | Acuson | s | | 24 | 383 | 29 | 28⅜ | 28½ | – ⅛ |
| 16⅞ | 14⅛ | AdaEx | 2.06e | 14. | | 147 | 15⅜ | 15¼ | 15¼ | + ⅛ |
| 15⅜ | 10 | Adobe | | | | 132 | 13 | 12⅞ | 13 | + ⅛ |
| 20¼ | 17⅝ | Adob pf | 1.84 | 10. | | 3 | 18 | 17⅞ | 17⅞ | – ⅛ |
| 21⅝ | 20 | Adob pf | 2.40 | 12. | | 12 | 20¼ | 20 | 20¼ | + ¼ |
| 11⅞ | 4⅞ | AMD | | | 23 | 1686 | 5⅞ | 5½ | 5⅝ | – ⅛ |
| 32⅞ | 23 | AMD pf | 3 | 13. | | 16 | 22¾ | d22½ | 22½ | – ⅜ |
| 9¼ | 2⅞ | Advest | .16 | 5.8 | 34 | 178 | 2⅞ | 2⅝ | 2¾ | – ⅛ |
| 62½ | 41 | AetnLf | 2.76 | 6.8 | 7 | 2354 | 41½ | d40½ | 40⅞ | – ⅜ |
| 13⅞ | 8¼ | AflPb | .24 | 2.6 | | 492 | 9½ | 9¼ | 9¼ | – ⅛ |
| 25 | 15⅝ | Ahmans | .88 | 5.6 | 7 | 1422 | 15⅞ | 15⅝ | 15¾ | – ⅛ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on Page 51

# NYSE COMPOSITE PRICES

Continued from previous Page

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 59½ | 35¾ | Wrigley | .58 | 2.9 | 16 | 281 | 44⅝ | 44⅛ | | |
| 15¾ | 8¼ | WyleLb | .28 | 2.6 | 10 | 178 | 11 | 10¾ | 11 | - ⅛ |
| 28¼ | 16¼ | Wynns | .60 | 3.8 | 10 | 30 | 16⅛ | d16 | 16 | - ⅜ |
| | | – X – Y – Z – | | | | | | | | |
| 58¾ | 37⅛ | Xerox | 3 | 8.0 | 7 | 1848 | 37⅝ | d37 | 37½ | - ½ |
| 32¾ | 16½ | XTRA | .72 | 4.0 | | 1 | 17⅞ | 17⅞ | 17⅞ | - ⅛ |
| 4 | 1¼ | Zapata | | | | 282 | 1½ | 1⅜ | 1⅜ | - ⅛ |
| 17¾ | 5⅜ | ZenithE | | | | 403 | 5⅝ | 5⅜ | 5⅝ | |
| 19½ | 13⅞ | ZenNcl | .88 | 6.6 | 8 | 24 | 13½ | 13⅜ | 13½ | |
| 8⅞ | 4½ | Zemar | .93 | 18. | | 254 | 5⅝ | 5 | 5⅛ | - ⅛ |
| 16½ | 10¼ | Zero | .40 | 3.7 | 11 | 24 | 10⅞ | 10¾ | 10¾ | - ⅛ |
| 61¼ | 34⅝ | Zurmin | .76 | 2.1 | 16 | 677 | 37¼ | 35¾ | 35¾ | - 1⅝ |
| 12⅝ | 10¼ | Zweig | 1.21e | 11. | | 342 | 10⅞ | 10⅝ | 10¾ | |
| 10 | 8½ | ZweigTl | .96 | 11. | | 1335 | 8⅞ | 8½ | 8⅞ | |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

4pm prices September 20

# NASDAQ NATIONAL MARKET

3pm prices September 20

| Stock | Div. | P/E | Sales 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Wolohn | .28b | 8 | 15 | 14 | 13⅞ | 14 | |
| WrwExp | | | 364 | 8 | 7⅞ | 7⅞ | - ⅛ |
| Wolv wt | | | 20 | 3¾ | 3⅛ | 3⅞ | - ⅛ |
| Worthg | .60 | 16 | 533 | 20⅝ | 19⅞ | 20⅛ | - ⅛ |
| Wyman | .80 | | 225 | 9½ | 9 | 9 | |
| – X – Y – Z – | | | | | | | |
| XL Dta | | 5 | 229 | 7¼ | 6⅞ | 7¼ | + ½ |
| XOMA | | | 2637 | 17 | 16⅜ | 16½ | + ⅝ |
| Xicor | | | 93 | 1½ | 1¼ | 1½ | |
| YonEnS | 1.62 | 18 | 10 | 19 | 18¾ | 19 | + ¼ |
| YelowF | .62 | 40 | 1178 | 21⅛ | d19½ | 19⅞ | - 1⅜ |
| YorkRs | | 11 | 221 | 9¼ | 8⅞ | 9¼ | + ⅛ |
| ZionBc | 1.44 | 7 | 7 | 25½ | 25¼ | 25¼ | + ¼ |

AMERICA

# Dow mirrors overseas weakness in thin trade

### Wall Street

DISAPPOINTMENT with Wednesday's assessment of the economy by Mr Alan Greenspan, the Federal Reserve chairman, coupled with sharp falls in overseas stock markets, sent US shares tumbling yesterday, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 39.11 lower at 2,518.32 after another moderate volume on the New York SE of 145m shares. The index lost about 14 points on Wednesday.

The selling yesterday was broadly based and exacerbated by waves of stock index arbitrage sales in a market which was thin because many traders were absent for the observance of the Jewish New Year. The Standard & Poor's 500 fell 5.11 to 311.49 and the NYSE All Common Index was down $2.69 to $171.22.

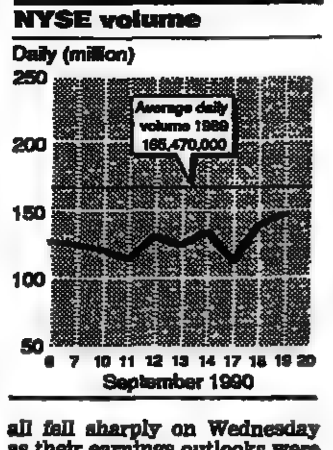
The US market was also troubled by falls on overseas markets. Tokyo declined for the sixth consecutive trading day to set another low for the year amid concern about tighter Japanese monetary policy.

At the heart of yesterday's poor US performance, however, were Mr Greenspan's comments. He told the Joint Economic Committee of Congress that the economy was moving closer to recession and also that the core rate of inflation was moving higher. His heavy emphasis on inflation during his testimony suggested that he was reluctant to ease monetary policy, another disappointment for the equity market.

The only source of hope for corporate earnings in an economy which is sluggish at best was that the Fed would ease interest rates. But inflationary pressures, which are likely to be even more evident as the Middle East crisis drags on, make this difficult.

This sober outlook prompted further downward revisions of earnings estimates for this year and next. Claire's Stores, Lowe's and Armstrong World all fell sharply on Wednesday as their earnings outlooks were downgraded.

**NYSE volume**




Gillette dropped $3⅛ to $51⅛ on reports that analysts at Salomon Brothers had made some negative remarks about the stock. Salomon confirmed that it had made some comments but declined to be more specific.

Among blue chips, IBM, which has been performing strongly in recent sessions, shed $⅛ to $107⅞. General Electric slipped $⅝ to $55½, Procter & Gamble $1¼ to $74 and Merck $1⅛ to $75¾.

Citicorp declined $⅝ to $16⅝ after Mr Donald Trump, the New York real estate developer, defaulted on a $245m loan from a unit of the bank which was used to buy the Trump Shuttle. Mr Trump has asked Citicorp to restructure the payments due on the loan.

Apple Bancorp jumped $5½ to $36¾ after the company said it would agree to terminate two trusts if Mr Stanley Stahl, the New York real estate investor, executed his $38 a share tender offer before this year's annual meeting. Mr Stahl had been calling for the elimination of these trusts, which were created in response to his bid.

MBIA, an insurer of municipal bonds, weakened $3 to $26½ on speculation that there could be one or more defaults on tax-exempt bond issues.

Furr's-Bishop's, an operator of cafeterias, lost $¼ to $4. The partnership said it would omit its third quarter dividend.

Reuters' ADRs fell $3 to $40½ on the over-the-counter market on rumours, later denied, that managing director Mr Glen Renfrew was ill.

### Canada

THE TORONTO market followed New York's lead and finished broadly lower after moderate trading. The composite index was finally 19.2 off at 3,256.4, after an initial drop of 29 points. Falls led rises by 344 to 196, while volume came to 20.4m shares, up from Wednesday's 18.0m.

Golds gained 1.3 per cent, while the energy sector recorded the only other rise among the sub-indices.

Edper Enterprises "A" dropped C$2⅛ to C$11⅞. The company said it could not explain the decline.

EUROPE

# Company prospects influence falling bourses

MORE BOURSES sank to 1990 lows yesterday, as profits news and speculation influenced individual share prices, *writes Our Markets Staff.*

FRANKFURT closed lower for the sixth day in succession, hitting 1990 lows again for both the FAZ and the DAX indices as volume held Wednesday's higher levels. After a 6.87 fall to 627.79 in the FAZ, the DAX closed 30.03, or 2 per cent, lower at 1,457.51. Volume was maintained at DM4.8bn.

There were general and particular scare stories. One chartist, peering downwards after Tuesday's breach of the 1,525 level, saw no further support for the DAX below 1,420. On the Deutsche Terminbörse, 38,560 options were traded, the highest volume since the 47,488 of August 27, and the ratio of puts to calls climbed to 1.26.

At corporate level, falls were widespread. Philipp Holzmann ended DM130, or 9 per cent, down at DM1,320, after a day's low of DM1,300. The construction group said that its 1990 net profits would at least match 1989 levels, but added that this excluded the effect of real estate sales, which, last year, took the net level up by DM76.6m to DM174.4m.

Meanwhile, after Wednesday's Deutsche Babcock forecast of a 1989/90 loss of DM80bn, there was speculation that the result could be even worse and the shares fell DM8 to DM143.20, 44 per cent below their high for the year.

PARIS fell to a year's low on the CAC 40 index, which dropped 29.68 or 1.9 per cent to 1,540.60, passing the previous low set four and a half weeks ago. Turnover was more active, estimated at FFr2.5bn to FFr2.6bn after Wednesday's FFr2.1bn, which had included a big put-through in CGE shares.

The index rose slightly at the opening as professionals squared positions in the hope of a technical rally, following seven days of declines and on the last day of the monthly trading account. However, by noon they were selling out of those positions as Frankfurt fell and Wall Street opened lower, said one analyst.

Good profits news boosted a few shares, with LVMH, the drinks and luxury goods group, rising in early trading to FFr3,334 after announcing a 23 per cent gain in half-year net earnings. However, the stock closed at FFr3,249, down FFr12, as profit-taking set in and on the realisation that operating profit had fallen slightly.

La Redoute, the mail order company, jumped FFr145 or 6.6 per cent to FFr2,345 after announcing that first-half net profits had more than doubled. Chargeurs, the conglomerate, gained FFr9 to FFr788 after reporting first-half earnings.

In contrast, CMB Packaging, which announced first-half figures well below expectations on Wednesday, dropped FFr8.60 to FFr114.90.

MILAN slumped to a new low for the year in minimal volume. The Comit index dropped 11.24 to 572.22.

Mr Filippo Lardera of UBS-Phillips and Drew said, apart from the Gulf uncertainty, the Italian stock market was also suffering from a lack of demand in spite of the mutual funds' high liquidity. But this was likely to be soaked up by the State's large offer of Treasury bills at its regular mid-month refunding auction, which aims to raise L3.5 trillion of fresh funds.

To add to the gloom, corporate prospects were deteriorating as hopes of lower interest rates faded. "To cap it all, foreigners have turned cold towards the Italian stock market," said Mr Lardera.

Fears that Italy would be badly hit by oil prices were compounded by the International Monetary Fund's World Economic Outlook, released on Wednesday, which said Italy would be hit harder than its European counterparts.

Olivetti, which said it was planning further cuts in its workforce in 1991, eased L120 to L3,821. It reports first-half results next week. The state-controlled Banca Commerciale fell L201 to L4,859 after reporting a 14.4 per cent rise in gross operating profit.

AMSTERDAM closed lower for the sixth straight session in thin volume which concentrated on the leading stocks. The resignation of the agriculture and fisheries minister late on Wednesday also sparked worries about the future of the centre-left coalition Government. The CBS Tendency index fell 1.5 to 98.0.

Shares of Center Parcs, the leisure group, were suspended at Fl 70.80 until today, as the company said it expected Scottish & Newcastle of the UK to make a friendly Fl 80-a-share bid for the 25.1 per cent of Center Parcs it does not own.

Philips, the electronics company, shed 70 cents to Fl 22.90, after news that it would sell its 15 per cent stake in AT&T Network Systems International.

BRUSSELS eased. Trading in Fabrique Nationale (FN), the troubled arms maker, was suspended before official dealings, after its preference shares rose BFr18 to BFr125 in the pre-bourse. There were rumours that FN had won a BFr2.4bn order and that GIAT, the French arms concern, was looking at buying parts of the Belgian company.

Concerns for the construction sector pulled Glaverbel, the glassmaker, down BFr250 or 11 per cent at BFr2,000. The cash market index fell 34.87 to a year's low of 5,211.19.

ZURICH reached a 1990 low. The Crédit Suisse index fell 6.9 to 514.3.

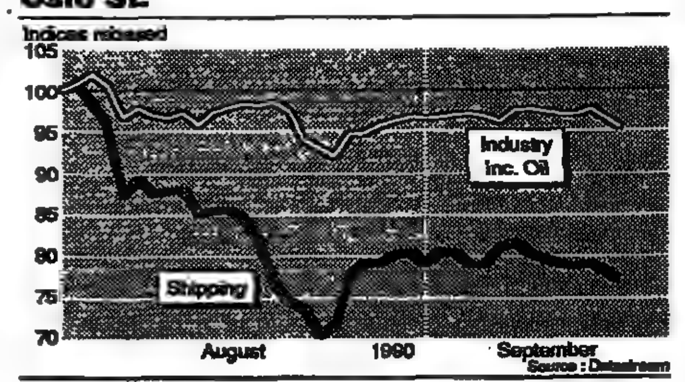
## Mixed pickings in the North

By Karen Fossli in Oslo and Jacqueline Moore in London

THE OUTLOOK for most of Scandinavia's markets is not encouraging, according to analysts, although Norway continues to be favoured for its oil production, and Denmark offers the potential for selective bargain hunting.

The Nordic countries have had a sluggish September, says Mr Keld Holm, chief analyst at Bikuben, the Danish brokers; this follows an August drop of 9.7 per cent in the Nordic index, according to statistics compiled by the Oslo bourse on behalf of the four exchanges, which compared with a fall of more than 13 per cent for continental Europe.

**Oslo SE**




Economic prospects lie behind the differing performances of the four markets. Norway's economy looks the most sound, because of the increase in exports from its offshore oil activities, says Mr Holm. By contrast, the outlook for Sweden is gloomy, and a recovery is not expected before 1992. Bikuben expects gross domestic product to decline to 1 per cent this year from 2.1 per cent in 1989, and points out that the inflation rate is currently more than 10 per cent a year.

In August, Stockholm experienced the biggest fall of the four Nordic markets at 11.4 per cent. Poor corporate results helped to undermine investor confidence. Mr Holm favours shares of companies that have strong international businesses, such as Ericsson, the telecommunications group, and Asea, the engineering company, because these are more resistant to the local economy.

Oslo sustained the second biggest decline last month; it slumped by 8.4 per cent, unable to benefit from high world crude oil prices because shipping stocks had taken a beating as a result of the Iraq/Kuwait crude oil and general import embargoes.

Copenhagen fell by 6.7 per cent; Denmark imports about 15 per cent of its oil needs, although the economy has been on an upswing and may be little affected by the inflationary pressures associated with high oil prices. In spite of Denmark's fall, it performed significantly better in August than most other European markets.

Helsinki, with its high inflation at 6.5 per cent and question marks over whether its economy has bottomed out, declined by 6.1 per cent in August, the smallest fall of the four, due mostly to confidence that there may be an improvement in corporate earnings for this year. The Finnish market continues to be one of the world's worst performers this year, having fallen about 23 per cent in 1990 compared with a continental European loss of about 17 per cent.

For the second month running, Oslo was the most liquid market in August, according to the Oslo bourse figures, largely owing to its oil stocks. It turned over 66.9 per cent of its market capitalisation last month.

Copenhagen followed Oslo but managed to turn over just 31.4 per cent of its capitalisation. Helsinki was the least liquid of the four, turning over just 9.3 per cent of its market capitalisation, followed by Stockholm at 14.2 per cent.

The combined turnover of Nordic stocks expanded to $4.628bn in August from $3.538bn for July.

SOUTH AFRICA

JOHANNESBURG continued weak, with modest institutional interest at the lows partially offsetting nervous selling by private investors. The JSE all-gold index fell 9 to 1,497 and the all-share index dropped 22 to 2,721.

ASIA PACIFIC

# Nikkei slides to another year's low

### Tokyo

A LACK of market-moving news, coupled with selling by institutional investors to minimise losses before they close their books, kept share prices defensive, and the Nikkei average finished at another low for the year yesterday, *writes Michiyo Nakamoto in Tokyo.*

Shares continued their slide as a lack of incentives kept buying subdued, while dealers and institutional investors sold to reduce losses. The market once again tracked the futures market, rising in early trading, falling in mid-morning and then recovering somewhat in the afternoon.

By the close, however, both the cash and futures market had fallen back again, with the Nikkei average down 123.19 at a low for the year of 23,602.98. This was the sixth consecutive decline for the market. In London, the ISE/Nikkei 50 index fell 19.76 to 1,312.15.

Apart from selling to minimise their losses before closing their books, institutional investors were largely sidelined as the situation in the Gulf was still uncertain and domestic interest rates remained high.

In the afternoon, talk that Iraq was ready to retreat from Kuwait as long as the Kuwaiti Emir was replaced provided the market with a measure of encouragement. The brighter outlook was short-lived, however, as sluggish bond prices dampened the mood.

Volume was a modest 400m shares, although higher than Wednesday's 360m. During the day the Nikkei index moved between 23,836.41 and 23,432.18. Declines were far ahead of advances at 754 against 191 and 156 issues were unchanged. The Topix index of all listed stocks was battered by the sharp declines in heavily capitalised issues and fell 31.75 to a low for the year of 1,767.97.

Financials continued to be hard hit by the market's overall decline and by the gloomy outlook for their earnings. In addition, early news that Iraq would confiscate foreign assets held in the country further sapped interest in bank shares.

Several banks hit their lows for the year, including Industrial Bank of Japan, one of four Japanese banks which still has an AAA rating by Moody's. IBJ's loss of Y250, or 10 per cent, to Y2,240 was the heaviest fall in yesterday's market.

Other issues sensitive to high interest rates and rising oil prices extended their losses. Japan Air Lines was depressed as analysts estimated that a $1 rise in oil prices would chop Y3bn off its pre-tax profits. It shed Y10 to Y1,270.

Itoman, a trading company specialising in textiles which has also been actively involved in property development and lending, suffered a Y100 fall to Y1,100. A press report stated that it was planning substantially to reduce real estate-related debts to stem the negative affect of rising interest rates on its earnings.

Speculative issues and those with special incentives attracted some buying. Kobe Steel led the actives with 18.6m shares and gained Y4 to Y539 on continued expectations that demand for aluminium will boost its business.

In Osaka, the OSE average fell 318.66 to 27,709.08. Volume was robust at 294m shares, up from Wednesday's 261m. Institutional investors were reported to be conducting substantial cross trades on the Osaka Exchange.

### Roundup

PACIFIC Rim markets put in a mixed performance yesterday.

TAIWAN fell to a 32-month low, undermined by a report in the Hong Kong-based South China Morning Post saying Chinese leader Deng Xiaoping had recently criticised Taiwan President Lee Teng-hui for advocating Taiwan independence and failing to take positive steps towards reunification. The Post also quoted Chinese officials as saying that China was mapping out a five-year programme to unify with Taiwan.

The weighted index plunged 202.55, or 6.4 per cent, to 2,956.72. Turnover rose slightly to NT$16.21m.

SEOUL lost faith in the Government's recently announced measures to support the stock market amid renewed fears of uncollected accounts and unredeemed margin loan accounts at securities companies. Local investors owe a total of Won1.2 trillion to securities companies, due to plunges in share prices in recent months. The composite index lost 7.61 to 585.19. Volume fell to Won113.4bn from Won191.2bn.

BANGKOK fell on political uncertainty arising from a conflict between two senior Cabinet ministers, and prospects of further increases in domestic oil prices. The SET Index ended 39.28, or 5.7 per cent, lower at 647.35.

HONG KONG snapped a five-day losing streak on hopes of a rosy interim report from Hong Kong Land today. The Hang Seng index edged up 3.59 to 2,984.54 but turnover remained low at HK$430m after Wednesday's HK$385m. HK Land gained 10 cents to HK$7.80.

MANILA finished sharply higher, buoyed by bargain-hunting and short-covering. The composite index rose 22.40 to 643.91. Turnover fell to 58m pesos from 63m. Investors were also soothed by a decision by President Corazon Aquino to slash oil taxes by as much as 60 per cent to soften the impact of higher retail prices for gasoline and other petroleum products.

AUSTRALIA slipped for the sixth day in a row on concern about domestic corporate earnings. The All Ordinaries index lost 5.1 to 1,446.6, but was up from an intraday low of 1,435.5. Turnover rose slightly to A$145m. The banking sector was under pressure as nervousness spread about possible bad debts and exposure to financially troubled companies.

Rupert Murdoch's News Corp shed 15 cents to A$10.45 after the company denied a report that it planned to raise cash through a share issue. The company said: "There has been a series of discussions with the Australian Stock Exchange regarding the structure of the company's authorised capital, and an announcement of the proposed changes will be made next week."

NEW ZEALAND was little changed in thin turnover of NZ$4.9m, down from NZ$9.8m.

SINGAPORE fell afresh, the Straits Times Industrial index losing 6.30 to 1,166.28. In KUALA LUMPUR the composite index shed 6.60 to 518.58.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | THURSDAY SEPTEMBER 20 1990 | | | | | | | | WEDNESDAY SEPTEMBER 19 1990 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1990 High | 1990 Low | Year ago (approx) |
| Australia (79) | 140.78 | −0.8 | 111.67 | 121.74 | 115.68 | 113.16 | −0.3 | 6.72 | 141.98 | 111.67 | 123.46 | 115.74 | 113.51 | 158.31 | 125.85 | 151.96 |
| Austria (19) | 197.51 | −2.2 | 156.68 | 170.80 | 162.30 | 162.11 | −0.9 | 1.68 | 201.86 | 158.76 | 175.61 | 164.56 | 163.62 | 265.63 | 193.15 | 151.98 |
| Belgium (61) | 132.01 | −1.4 | 104.72 | 114.14 | 108.47 | 105.64 | −0.6 | 5.48 | 133.85 | 105.28 | 116.37 | 109.11 | 106.29 | 160.02 | 132.01 | 138.41 |
| Canada (119) | 130.19 | −0.2 | 103.27 | 112.57 | 106.97 | 108.79 | −0.5 | 3.74 | 130.49 | 102.63 | 113.45 | 106.37 | 109.33 | 153.61 | 128.82 | 147.37 |
| Denmark (33) | 251.54 | −0.9 | 199.54 | 217.52 | 206.68 | 204.50 | −0.6 | 1.45 | 253.79 | 199.61 | 220.67 | 206.89 | 206.24 | 277.82 | 235.89 | 194.25 |
| Finland (26) | 108.43 | −3.2 | 86.01 | 93.77 | 89.10 | 85.07 | −1.6 | 3.22 | 111.99 | 88.06 | 97.38 | 91.29 | 86.46 | 152.29 | 108.43 | 127.65 |
| France (122) | 128.41 | −2.6 | 101.86 | 111.08 | 105.50 | 106.50 | −1.9 | 3.85 | 131.81 | 103.67 | 114.60 | 107.45 | 108.55 | 188.85 | 128.41 | 133.61 |
| West Germany (92) | 111.11 | −1.9 | 88.14 | 96.09 | 91.29 | 91.29 | −1.1 | 2.46 | 113.26 | 89.08 | 98.49 | 92.33 | 92.33 | 144.83 | 111.11 | 98.96 |
| Hong Kong (48) | 122.02 | +0.2 | 96.80 | 105.52 | 100.27 | 121.55 | +0.2 | 5.35 | 121.84 | 95.83 | 105.93 | 99.33 | 121.37 | 147.48 | 112.24 | 112.30 |
| Ireland (17) | 143.51 | −2.6 | 113.84 | 124.10 | 117.92 | 119.02 | −1.9 | 4.39 | 147.39 | 115.92 | 128.15 | 120.16 | 121.38 | 198.57 | 143.42 | 153.91 |
| Italy (94) | 83.22 | −2.5 | 66.01 | 71.96 | 68.37 | 73.18 | −2.0 | 3.26 | 85.32 | 67.11 | 74.18 | 69.55 | 74.68 | 109.26 | 83.22 | 92.94 |
| Japan (454) | 122.57 | −1.9 | 97.23 | 105.99 | 100.73 | 105.99 | −1.9 | 0.80 | 124.29 | 97.71 | 108.02 | 101.29 | 108.02 | 197.28 | 118.66 | 180.43 |
| Malaysia (35) | 207.16 | −1.3 | 164.33 | 179.13 | 170.22 | 215.30 | −1.2 | 2.83 | 209.79 | 165.00 | 182.40 | 171.02 | 217.91 | 250.89 | 195.23 | 201.17 |
| Mexico (13) | 509.56 | −0.3 | 404.22 | 440.64 | 418.71 | 1616.79 | +0.0 | 0.32 | 511.04 | 401.94 | 444.34 | 416.60 | 1616.73 | 581.41 | 324.53 | 315.89 |
| Netherland (42) | 132.91 | −2.0 | 105.44 | 114.93 | 109.22 | 107.98 | −1.3 | 5.27 | 135.59 | 106.64 | 117.89 | 110.58 | 109.35 | 149.03 | 130.43 | 129.46 |
| New Zealand (17) | 59.17 | −1.1 | 46.94 | 51.17 | 48.62 | 50.67 | −0.3 | 7.06 | 59.83 | 47.06 | 52.03 | 48.78 | 50.84 | 75.36 | 59.17 | 82.17 |
| Norway (23) | 264.61 | −1.9 | 209.90 | 228.82 | 217.43 | 218.73 | −1.4 | 1.45 | 269.81 | 212.21 | 234.60 | 219.96 | 221.75 | 276.79 | 202.34 | 165.61 |
| Singapore (25) | 160.39 | −0.1 | 127.23 | 138.70 | 131.79 | 130.50 | +0.0 | 3.20 | 160.54 | 126.27 | 139.59 | 130.87 | 130.54 | 209.24 | 158.96 | 166.90 |
| South Africa (60) | 164.78 | −0.2 | 130.71 | 142.49 | 135.40 | 138.53 | −0.6 | 4.18 | 165.19 | 129.92 | 143.63 | 134.66 | 139.41 | 251.39 | 164.78 | 155.40 |
| Spain (42) | 135.65 | −1.1 | 107.60 | 117.30 | 111.46 | 101.53 | −0.6 | 5.41 | 137.18 | 107.89 | 119.28 | 111.83 | 102.10 | 182.26 | 132.84 | 163.19 |
| Sweden (34) | 186.77 | −1.3 | 148.15 | 161.51 | 153.47 | 159.88 | −0.7 | 2.51 | 189.30 | 148.89 | 164.60 | 154.32 | 161.00 | 234.93 | 173.89 | 177.93 |
| Switzerland (65) | 89.46 | −2.8 | 70.97 | 77.36 | 73.52 | 73.21 | −1.7 | 2.90 | 92.02 | 72.38 | 80.02 | 75.03 | 74.48 | 109.77 | 86.75 | 89.81 |
| United Kingdom (301) | 150.27 | −3.3 | 119.20 | 129.93 | 123.46 | 119.20 | −2.5 | 5.83 | 155.39 | 122.22 | 135.10 | 126.66 | 122.22 | 176.18 | 139.67 | 154.66 |
| USA (534) | 125.63 | −1.6 | 99.66 | 108.64 | 103.24 | 125.63 | −1.6 | 3.92 | 127.67 | 100.41 | 111.01 | 104.06 | 127.67 | 148.95 | 123.62 | 140.66 |
| Europe (971) | 129.50 | −2.6 | 102.73 | 111.99 | 106.42 | 104.55 | −1.8 | 4.44 | 132.94 | 104.56 | 115.59 | 108.39 | 106.49 | 157.65 | 129.50 | 130.41 |
| Nordic (116) | 192.36 | −1.3 | 152.59 | 166.34 | 158.06 | 154.17 | −0.9 | 1.97 | 194.93 | 153.31 | 169.49 | 158.91 | 155.55 | 223.29 | 185.01 | 164.84 |
| Pacific Basin (658) | 123.09 | −1.3 | 97.64 | 106.44 | 101.15 | 106.59 | −1.7 | 1.22 | 124.66 | 98.06 | 108.41 | 101.64 | 108.47 | 192.75 | 119.53 | 176.82 |
| Euro−Pacific (1629) | 126.03 | −1.8 | 99.98 | 108.98 | 103.55 | 106.45 | −1.8 | 2.57 | 128.38 | 100.97 | 111.61 | 104.65 | 108.37 | 174.18 | 126.03 | 158.39 |
| North America (653) | 125.82 | −1.5 | 99.81 | 108.82 | 103.41 | 124.56 | −1.5 | 3.91 | 127.75 | 100.48 | 111.09 | 104.16 | 126.49 | 148.43 | 124.33 | 140.95 |
| Europe Ex. UK (670) | 116.11 | −2.1 | 92.11 | 100.43 | 95.43 | 95.64 | −1.4 | 3.48 | 118.59 | 93.27 | 103.13 | 96.70 | 96.97 | 145.62 | 116.11 | 114.35 |
| Pacific Ex. Japan (204) | 128.49 | −0.5 | 101.92 | 111.12 | 105.59 | 110.51 | −0.2 | 5.89 | 129.15 | 101.58 | 112.31 | 105.29 | 110.71 | 148.72 | 122.53 | 133.37 |
| World Ex. US (1821) | 126.78 | −1.8 | 100.57 | 109.64 | 104.18 | 107.24 | −1.7 | 2.62 | 129.04 | 101.49 | 112.20 | 105.20 | 109.11 | 173.77 | 126.78 | 158.08 |
| World Ex. UK (2054) | 122.96 | −1.5 | 97.54 | 106.33 | 101.04 | 112.39 | −1.6 | 2.74 | 124.83 | 98.18 | 108.54 | 101.77 | 114.19 | 162.00 | 121.96 | 158.44 |
| World Ex. So. Af. (2295) | 125.14 | −1.7 | 99.27 | 108.22 | 102.84 | 112.88 | −1.7 | 3.06 | 127.32 | 100.14 | 110.71 | 103.80 | 114.81 | 161.84 | 125.14 | 150.77 |
| World Ex. Japan (1901) | 128.06 | −1.9 | 101.60 | 110.77 | 105.26 | 116.87 | −1.6 | 4.20 | 130.53 | 102.66 | 113.50 | 106.42 | 118.74 | 151.59 | 128.06 | 137.02 |
| The World Index (2355) | 125.38 | −1.7 | 99.46 | 108.42 | 103.03 | 113.05 | −1.7 | 3.07 | 127.54 | 100.31 | 110.90 | 103.98 | 114.98 | 162.05 | 125.38 | 150.80 |

☐ Danish banks are favourably-placed for more business in Europe — *see page four.*

FINANCIAL TIMES SURVEY

# DENMARK

☐ Agricultural and food processing sectors face crucial export issues — *see page six.*

SECTION III

Friday, September 21, 1990

Although the Danes have often appeared to be reluctant members of the European Community, there has recently been a clear shift in public opinion. Here, **Robert Taylor** examines the reasons for this change.

## Fresh thinking on the European Community

*IT HAS taken a long* time but this autumn it looks as though Denmark has come to terms with its membership of the European Community, which it joined 17 years ago.

So often the Danes have appeared to be reluctant continental Europeans, unwilling to take their EC responsibilities seriously. Now the national mood has changed.

"We still have close ties to the Nordic countries outside the EC, but Denmark is becoming much more like the Benelux," reflected a senior member of the country's centre-right coalition government.

The new attitude was on display at last week's meeting of EC finance ministers in Rome, where Denmark turned out to be one of the most enthusiastic supporters for a rapid move to economic and monetary union – "we want to be part of the high speed group inside the EC on this," says Mr Henning Dyremose, the Finance Minister.

The country's main opposition party, the Social Democrats, who have been lukewarm at best to the EC in the past, also decided recently at its party Congress to take a much more sympathetic view – "we are positive now, but not uncritical," says Mr Svend Auken, the party's leader, who was originally opposed to Danish EC membership.

He still talks about the "bloated bureaucracy" in Brussels and calls for more "democratic accountability" in the European Parliament as well as the need for a "broader Europe" bringing in the Nordic nations and the east. But the old left antagonism has almost gone.

Such enthusiasm reflects a clear change in Danish popular opinion. In June, a Gallup poll revealed 57 per cent of Danes would vote for Danish EC membership, if asked to do so in a referendum – and only a third said they would vote against.

The EC's own Eurobarometer opinion poll published in July recorded an increase from 9 per cent to 15 per cent of Danes who "frequently" thought of themselves not only as Danes but as Europeans, while a poll, carried out by the EC in April, found 68 per cent of Danes thought their country's EC membership had been advantageous to them while only 32 per cent took a negative view.

The dramatic events in neighbouring Germany since the fall of the Berlin wall last 9 November have undoubtedly helped to clarify Danish attitudes towards the EC.

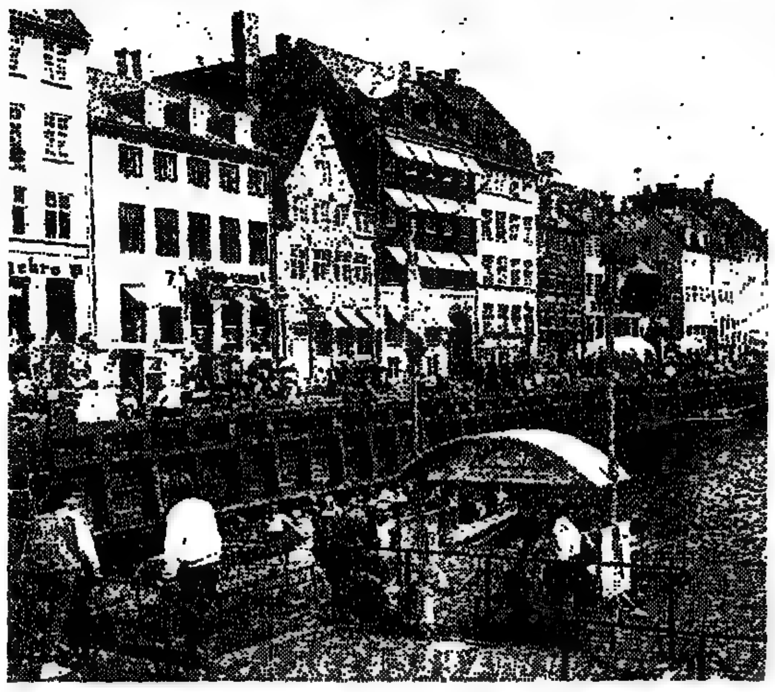
"The prospect of a strong, successful Germany has changed our whole outlook," admits Economic Affairs Minister, Mr Niels Helveg Petersen.

With a eye on their own history – Denmark was occupied by the Nazis, 50 years ago last summer – the Danes agree fully with Hans Dietrich Genscher's view that there should be a European Germany and not a Germanic Europe.

The closer the integration of the EC, the less danger of any return to the destructive nationalisms of the past – so reason Danes across the political spectrum.

Mr Uffe Ellemann-Jensen, Denmark's combative foreign minister recalls the bitter fight in Denmark in 1986 in the referendum over the Single Member Act which the government won convincingly – "people have suddenly grown up," he declares.

"The young are the 'Interrail generation' who are moving naturally around Europe."



■ Mr Svend Auken, left, leader of the Social Democrats, aspires to become Denmark's next Prime Minister. But Mr Poul Schlüter, right, leader of a three-party coalition and Prime Minister since 1982, believes the mood in his country is now moving in his ideological direction. Pictured centre: the Copenhagen waterfront.

The pro-EC feelings this autumn in Copenhagen do not signify an end to the debate over how the country should adjust to the challenge of the internal market after January 1,1993, but fewer people regard the outlook as a "nightmare."

"Danish industry is better prepared for the 1992 challenge in those sectors mostly likely to be affected such as pharmaceuticals and medical equipment," points out Mr Soren Krohn, head of the European affairs department at the Federation of Danish Industries.

"Our economy is already one of the most open in Europe. We have few barriers to trade with 80 per cent of our manufactured goods exported."

In his view, the small-scale specialised companies in Denmark are stable and diverse enough to thrive in the EC's internal market.

There is even optimism to be found in government circles over the thorny, unresolved questions of indirect tax harmonisation and the removal of border controls between Denmark and Germany in the internal market although Mr Krohn does not share it.

Denmark would stand to lose Dkr40bn if it reduced its 22 per cent single rate value added, purchase and excise taxes to EC levels, a government study explained last year.

Mr Peterson takes a sanguine view of prospects. He points out that changes in excise duties in Denmark on goods like TV sets, washing machines, as well as petrol, has brought the country more into line with German rates and lessened the cross-border trade that took advantage of price differences.

In his opinion, the real trouble comes with the high duties Denmark charges on liquor and tobacco, the revenue loss from which in any harmonising with the EC average would cost the country as much as 1.5 per cent of its gross domestic product.

He believes, however, that the Danish authorities will be allowed to draw a distinction for tax raising purposes between private individuals who must pay the duties and businesses which will be exempt.

Mr Krohn doubts if the EC will tolerate such a policy and argues that it could "erode Danish credibility" in future negotiations with the EC if the government attempts to go its own way on tax harmonisation.

"One of our dangers is that we could become a peripheral country but there is enormous political awareness of this now," says Mr Krohn. "Denmark has rejected economic isolation."

But the new Danish view of the EC will be put to the test in the forthcoming inter-governmental conferences on economic and monetary union and political union.

The signs are that the government is keen to demonstrate its enthusiasm for EC president Jacques Delors' vision. Certainly there is little sympathy for Mrs Thatcher's views on the EC nowadays in Denmark – "Britain looks a bit pathetic," admitted one minister.

The new mood among the Danes has come as a welcome relief to Conservative Prime Minister Poul Schlüter, who has led a series of centre-right minority coalition governments since September 1982. He believes the mood in his country is finally moving in his ideological direction.

"The non-Socialist parties are now supported by two-thirds of the young," he argues. "Profit is no longer a dirty word."

In office but not in power for most of his eight years as Prime Minister, often facing a hostile Parliament, Mr Schlüter is acknowledged by friend and foe alike as an adroit politician who has overcome enormous difficulties in keeping his government together.

"There is an over-all consensus in this country," argues Mr Peterson."We look for solutions. We work together."

Many observers of Denmark in the 1980s might question such a view. On so many questions a fragmented Parliament has made for weak government.

It is now 15 months since Mr Schlüter launched what has become known as the 'Plan' designed to make the economy more dynamic and competitive through cuts in the public sector and tax reform, but so far it has come to little because of the inability of the main parties to agree on its final shape.

This autumn's cross-party discussions on the 1991 budget and the government's proposals for structural changes in the social security system will also test the willingness of the politicians to reach compromise deals that do not injure the fragile economy.

Mr Schlüter has recently warned he will call an early general election if he does not find solutions acceptable to him.

Denmark may be growing more like the Benelux countries in its outlook on Europe, but at home the old party game seems to have lost none of its negative vitality.

IN THIS SURVEY



*Editorial production: Michael Wiltshire.*
*Pictures by Alan Harper.*

Changing attitudes among the Social Democrats

# Model revisionists

The Social Democrats are embracing regulated capitalism with undisguised enthusiasm, reports ROBERT TAYLOR

THE SOCIAL Democrats, who remain Denmark's largest party, are model revisionists nowadays.

"We have always been pragmatic," declares 47-year-old Mr Svend Auken, who was elected party leader in October 1987 to replace the formidable Anker Jorgensen.

It is true the party abandoned its class-war rhetoric a long time ago, but now the party is going a step further and embracing regulated capitalism with undisguised enthusiasm.

"Yes to the Market Economy" proclaimed the front page headline on the party's new journal, launched this month. Mr Auken has just written a new programme of principles for his party which will be debated by the membership before going to the 1992 Party Congress for its approval.

He wants to legitimise the party's existing *de facto* recognition of the market economy. Mr Auken believes the Social Democrats must drop their traditional hesitancy and defensiveness about market solutions, once and for all.

"We should say more bluntly than we have done before that the market mechanism is the best method to allocate most goods and services for consumers," he declares.

"Social Democracy should commit itself unambiguously to the market economy. But this does not mean turning the party into a champion of unfettered private enterprise.

"I became a Social Democrat when I was in the United States, as a student," says Mr Auken, who studied at Washington State University.

"I did not like the flawed system that I saw there with its social tensions, poverty and discrimination."

Mr Auken is a strong defender of what he calls "the welfare society." In this commitment he echoes a widespread popular support for social provision – "a conservative crusade to roll back the welfare society would be defeated here," he claims.

"Our main problem is not that our public sector is too larger but that our private sector is too small. He also believes the market mechanism should not dominate areas like public transport, energy provision and environmental protection. But he rejects the suggestion that the Social Democrats favour centralised, bureaucratic solutions to political problems. Mr Auken is keen to deny Social Democracy is synonymous with state power.

"Our model is a social and environmentally-conscious market economy with a rich variation of co-operative structures between the private and public sector," he explains in his credo for the party faithful.

The new-look Social Democracy is an understandable attempt by the party leadership to redefine its position in post Cold War Europe amidst conflicting evidence over whether the party has widespread support for its values and ideas among the Danish electorate.

Mr Auken is convinced his pale pink version of Social Democracy – with its emphasis on freedom and rejection of collectivism – is popular, especially among young voters and that this will enable the party to win the next general election which must be held by April 1992.

Others are less certain. In the view of Prime Minister Poul Schlüter the young are flocking to conservatism with its emphasis on the rights of the individual.

The fragmented character of Danish politics has meant the Social Democrats have enjoyed majority government for only ten out of the last 45 years, but for most of that time until 1982 the party was the crucial governing force in Denmark – "we have been forced to compromise in co-operation with other parties," explains Mr Auken. "But Denmark is not a country divided by ideology."

Nonetheless, his own party has suffered from a serious challenge to its left. Mr Auken admits himself that the rise into third position in Danish politics for the anti NATO and anti EC Socialist People's party (SF) over the past 11 years has weakened Social Democracy. At the 1988 general election, SF polled 13 per cent of the vote and won 24 seats.

Invariably, SF finds the Social Democrats are its natural ally in short-term parliamentary manouevres, but the closer the divided left work together the harder it is for the Social Democrats to make the effective overtures to the centre ground that they need in order to build a winning coalition. Indeed, ever since September 1982 when they left power the Social Democrats have been without any government office, even though Mr Auken insists that Prime Minister Poul Schluter has "lost" the last four general elections.

At the 1988 general election his party won 55 seats out of the 179 in Parliament on 29.8 per cent of the vote, while Mr Schlüter's Conservatives took 35 seats and polled a mere 20.8 per cent.

But "winning" at the polls is just the start, not the end, for forming governments in Denmark. It requires personal skills of patience, trust and co-operation for the party leaders to form and then work together in coalition governments that usually lack a solid parliamentary majority.

What upsets Mr Auken is that his party is having to ride to the rescue of Mr Schluter's three party centre-moderate right government on crucial issues that divide the parties within the coalition.

"Our problem is that the weaker the government is internally, the more difficult it is for the opposition which finds itself having to take sides in helping to make the government's own decisions," he explains.

Certainly, the Social Democrats are seen as a vital source of support for the government in ensuring a broad based consensus in Parliament. They remain much more reliable for Mr Schluter to reach deals with than the right-wing opposition Progress party who provide uncertain backing for Mr Schluter's coalition.

But during the past eight years out of office, the Social Democrats have found themselves out-witted more than once by the adroit Mr Schlüter in the fine arts of the Danish political game.

The party has found it difficult to come to terms with Denmark's membership of the European Community. Back in 1973, when the country joined, Mr Auken was a vocal opponent of the EC and the issue has divided the Social Democrats until comparatively recently.

Confronted by widespread hostility in Parliament to the EC's creation of the internal market, Mr Schlüter called a national referendum in February 1986 on the Single Member Act which he won to the discomfort of Mr Auken who campaigned against Danish acceptance of the internal market.

Out of office after 1982, the Social Democrats helped to form an anti-NATO majority in Parliament alongwith SF and the Radical Left party that opposed the NATO twin-track decision involving the deployment of Cruise and Pershing medium range nuclear missiles in Europe.

The party demanded a clarification of an existing understanding that NATO ships visiting Danish ports did not carry nuclear warheads on board, something Mr Schluter's government regarded as unnecessary.

Again, the Social Democrats were out-finessed by the country's wily Prime Minister who called a general election in May 1988 which won endorsement for the government's pro-NATO stance.

That particular manouevre still angers Mr Auken who believes the controversy was distorted by the Prime Minister in an attempt to strengthen his weak parliamentary position.

He points out indignantly that the Radical Left party that originally forced the NATO nuclear issue to the fore agreed to join Mr Schluter's coalition as soon as the election was over.

However, such setbacks have undoubtedly helped to change Social Democratic foreign policy. Mr Auken remains opposed to a European "super state" and he dislikes the idea of an EC federal bank.

But his attitude to the EC is much more positive than it used to be. He calls for a more democratic, accountable EC with a stronger European Parliament equipped with greater powers to take the initiative on important issues with a new emphasis on social and environmental questions.

But Mr Auken also insists Denmark will need another referendum to endorse the important changes in the EC's constitution which seem likely to follow the inter-governmental conference process that begins in November on economic and monetary as well as political union.

There is little doubt that Mr Auken is a frustrated man – out of office but still expected to pull the government's chestnuts out of the fire.

Nobody should doubt his desire to be Denmark's next prime minister – "this country is close to disaster," he claims. "It needs a strong government that can carry through tough economic policies."

Naturally Mr Auken believes the Social Democrats are best able to do what is necessary. Whether the voters agree with him however is another matter.

# Experts in bridge building

**GEOGRAPHICALLY speaking, Denmark consists of the Jutland peninsular and a lot of islands, a fact which has turned the Danes into a nation of expert bridge-builders.**

**This expertise will be put to the test in the current decade, when three major bridge/tunnel links, amounting to perhaps the most ambitious transport infra-structure project in Europe, will be constructed – if the politicians in Denmark, Sweden and Germany are able to come to a decision.**

**The first of the three projects, the Kr19bn road-and-rail, bridge-and-tunnel link across the Great Belt (the main shipping lane into the Baltic, which separates Sjaelland from the island of Funen and the Jutland peninsular, which are already linked by bridges) is already under construction.**

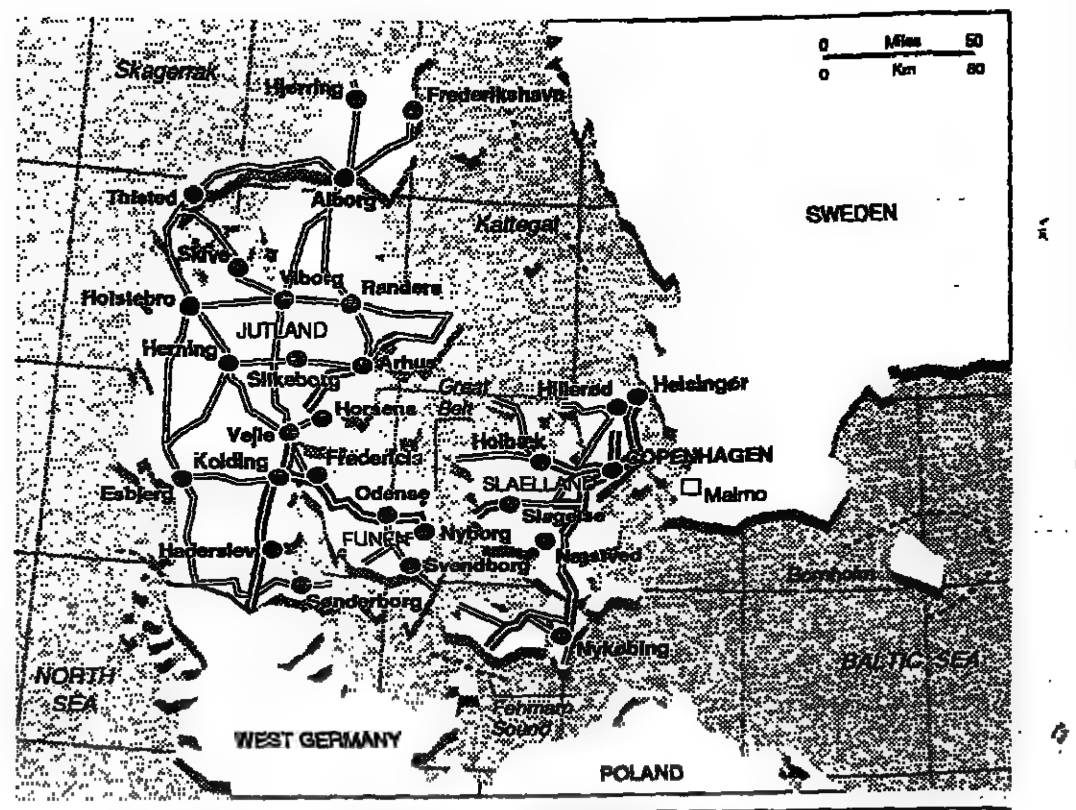
**The rail link is due for completion in 1993, and the road link in 1996. The builder is the state corporation, A/S Storebaelt. The bridge will be financed by tolls, and A/S Storebaelt has had no trouble raising capital for the project, which all the projections indicate makes sound economic sense.**

**Next in line is a permanent link across the Sound between Denmark and Sweden. Both the Danish and the Swedish governments favour a road-and-rail bridge between Malmo on the Swedish side and Copenhagen, but no final decisions have been taken, and there is a strong environmentalist opinion in favour of a rail-only tunnel solution.**

**Assuming that a decision to construct a link across the Sound is taken within the next year or so, the final piece in the puzzle is a road or tunnel link between the southern Danish Islands and Germany across the Fehmarn Sound.**

**With expedition on the part of the politicians, all three links could be completed by or shortly after the turn of the century, at a total cost which may not fall far short of $10bn.**

Hilary Barnes




## KEY FACTS

| | |
|---|---|
| Area | 43,092 sq km |
| Population | 5.13 million (1989) |
| Head of State | Queen Margrethe II |
| Currency | Krone = 100 ore |
| Average exchange rate | 1988 $1 = Dkr6.73 |
| | 1989 $1 = Dkr7.31 |

*The famous Statue of the Little Mermaid, Copenhagen.*

### DANISH ECONOMIC INDICATORS

| | 1988 | 1989 |
|---|---|---|
| Total GDP (US$bn) | 107.6 | 104.5 |
| Real GDP growth (%) | – 0.2 | 1.1 |
| GDP per capita (US$) | 20966 | 20370 |
| Components of GDP (%) | | |
| Private consumption | 53.6 | 52.8 |
| Gross fixed investment | 17.9 | 18.1 |
| Increase in stocks | – 0.4 | 0.3 |
| Government consumption | 25.9 | 25.4 |
| Exports | 32.3 | 34.8 |
| Imports | – 29.3 | – 31.4 |
| Current account balance (US$bn) | – 1.8 | – 1.4 |
| Exports (US$bn) | 27.5 | 28.6 |
| Imports (US$bn) | 25.6 | 26.2 |
| Trade Balance (US$bn) | 1.9 | 2.4 |
| Main trading partners (% of total value) | | |
| Exports: | | |
| West Germany | 17.6 | 17.5 |
| UK | 11.7 | 12.2 |
| Sweden | 11.5 | 12.1 |
| EC | 49.2 | 50.4 |
| Imports: | | |
| West Germany | 23.2 | 22.2 |
| Sweden | 12.3 | 12.1 |
| UK | 7.1 | 6.9 |
| EC | 51.3 | 49.9 |
| Net foreign debt (US$bn) | 44.0 | 40.3 |
| Consumer prices (% change per annum) | 4.6 | 4.8 |
| Hourly wage rates (% change per annum) | 6.5 | 3.9 |
| Unemployment (% of labour force) | 8.7 | 9.4 |
| Total reserves, minus gold (US$bn) | 10.8 | 6.4 |
| M1 growth rate (% p.a.) | 11.5 | 5.3 |
| M2 growth rate (% p.a.) | 3.9 | 4.3 |
| Discount Rate (%, period average) | 7.0 | 7.0 |
| Goverment Bond Yield (%, period average) | 11.2 | 10.4 |
| FTA Denmark Index (% change over the year) | 66.5 | 36.3 |

*Sources: IMF, Datastream, Economist Intelligence Unit.*



Foreign policy

# No longer a battleground

MR UFFE Ellemann-Jensen, Denmark's robust 49-year-old pipe-smoking Foreign Minister for the past eight years and Liberal Party leader since 1984, is in an ebullient mood. The dramatic flow of events in Europe have been moving his way since the opening of the Berlin Wall last 9 November.

"The Danes are finally coming out of their cosy corner where they kept their noses down, believing the rest of the world could take care of them and itself," he asserts. "We used to prefer others to take the risks on our behalf. But now all that has changed."

A few weeks ago the Danish Parliament agreed by a large majority to dispatch one of the country's two corvettes to join other nation's military contingents in the Persian Gulf – "such a decision would have been impossible only a few months ago," claims Mr Ellemann-Jensen.

**Decision-making**

A staunch European, who won the Robert Schuman Prize three years ago for his contribution to European unity and co-operation, he is also pleased at what he sees as the new-found enthusiasm of most Danes, especially among the young, for the European Community.

"It is now possible to discuss economic and monetary union in this country without being booed," he says. "We are ready to play an active part in EC decision-making."

The change of popular attitude towards the EC was perceptible back to the February 1986 referendum over the Single Market Act when 56.2 per cent of Danes voting supported the move and 43.8 per cent voted against.

But the prospect of Germany's unification has undoubtedly accelerated the process of Danish popular convergence to the rest of the EC. Ever-conscious of their troubled history with their giant neighbour to the south, the Danes are strong believers in Mr Hans Dietrich Genscher's concept of a European Germany, not a Germanic Europe.

"Even the left intelligentsia has shifted significantly in their attitude to the EC," says Mr Ellemann-Jensen. The old hostility is fast disappearing from Danish public life after eighteen years of suspicion and distaste.

Like Mrs Thatcher, he is critical of the lack of response by Europe as a whole to the Gulf crisis – "there is a clear threat to European security involved in this," he says. "It is very unsatisfactory to Europeans that the United States has to come to our rescue. We need to get our act together." Mr Ellemann-Jensen believes the NATO charter will have to be rewritten to enable the organisation to operate outside Europe in defence of the continent's influence.

But Denmark's Foreign Minister shares none of Mrs Thatcher's doubts and scorn for closer EC integration. He talks enthusiastically about the creation of a European Federal Bank and his country looks unlikely to line up with Britain in any last ditch resistance to the movement towards economic and monetary union.

Nor does Mr Ellemann-Jensen worry over the prospect of discussions about EC political union. He favours a "strengthening" of the EPC (European PoLitical Co-operation) structure inside the EC with a stronger secretariat and an easier process for the exchange of views on foreign policy to help in creating a common EC position.

His staunch support for NATO too has grown much

Continued on facing page

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## ECONOMIC PROSPECTS

# A long, hard road ahead

DENMARK'S economy still has a long hard road to travel if Mr Schluter's government intends to fulfil its declared objective of eliminating the country's enormous current account deficit by the end of 1992.

The outcome will depend on how successful the government proves to be in carrying through its budget proposals for 1991 and long overdue structural reforms designed to make the economy more productive and competitive.

This autumn's inter-party discussions, which begin in earnest on 2 October when Parliament re-assembles after its summer holidays, are therefore crucial.

Mr Henning Dyremose, the Finance Minister since the end of last October, is determined to push ahead with what needs to be done but with no stable majority for the government in parliament it will be hard to establish a necessary broad consensus.

"Our politics is the politics of the impossible," he admits.

"We have to realise as a minority government that we alone cannot take all the measures we believe to be necessary."

But the chances of reaching broad agreement on a credible programme for economic recovery are not rated very highly at the moment.

Not for the first time, the fragmentary nature of Danish politics makes it hard for the government to take decisive action, particularly when it has to deal with a Parliament whose members like to spend taxpayer's money rather than cut cherished programmes. The Prime Minister wants to force the political parties and the voters to recognise the old ways are no longer permissible if Danes are serious about rectifying their serious underlying economic problems.

Mr Schluter threatened ten days ago that he would call a general election if the forthcoming negotiations between the parties failed to strike a deal on next year's budget proposals and parliament voted for any further increases in public spending.

"I am simply not going to take responsibility for a financial policy which includes greater expenditure than we had last year," he declared.

"After many years we have managed to gain control over state spending and we must not lose our grip again."

The Ministry of Finance has fixed a target of DKr235.2bn as the upper limit on total ministerial expenditure, which remains unchanged from this year's figure after adjustments for price and wage increases. This will mean an actual reduction of DKr7.7bn in spending plans.

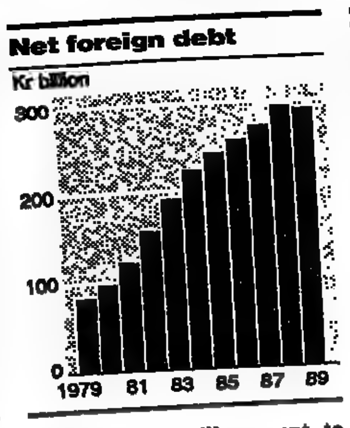
Mr Dyremose hopes these net savings can be achieved from improved efficiency, reductions in subsidies and changes in the transfer payments system. There is widespread recognition across Denmark's political divide that the country's economy remains in crisis even if partisan differences continue to make it hard for the parties to find a consensus.

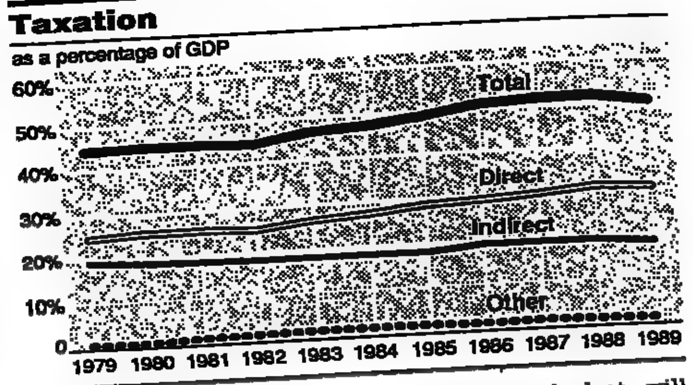
The Ministry of Finance is forecasting a deficit of DKr16.1bn for 1991, equivalent to 1.9 per cent of the country's gross domestic product but this seems likely to be an under-estimate in the light of the Gulf crisis.

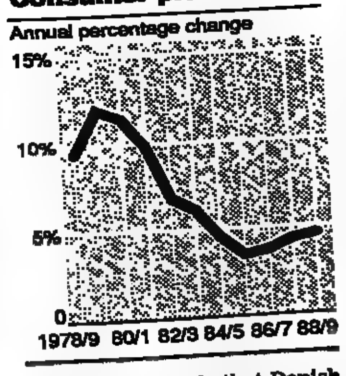
The accumulated debt is a millstone round the country's neck, a crippling reminder of its profligate days before the onset of the more austere 1980's when expansionary demand management with a devalued krone and endless increases in public expenditure for the welfare system went virtually unquestioned.

Denmark has been having to pay a heavy price for its laid back attitudes of the past and as the Organisation for Economic Co-operation and Development explained in its sharply written and acute report this summer on the economy – "much still remains to be done."

The government estimates that interest payments on its debt for 1991 will amount to DKr56.9bn, as much as 18.4 per cent of total expenditure.




Denmark's foreign debt burden fell in 1989 for the first time in twenty years to DKr296bn, but this still amounted to as much as 38 per cent of the country's gross domestic product.

There have been some welcome signs of improvement in the Danish economy over the past 12 months. The country's balance of payments deficit last year amounted to DKr10.2bn (5.23 per cent of gross domestic product) but this compared with a figure of DKr36bn four years earlier.

In fact, the balance of payments deficit is now running at its lowest level for 15 years.

The Danish annual rate of inflation is running at 2.6 per cent, one of the lowest in the western industrialised economies. Price stability has been helped by a 7 per cent appreciation of the krone this year though this is starting to hurt the export drive.

The level of wage rises is also low at between 3 to 3.5 per cent while real disposable incomes are up by 1.5 per cent.

The country continued to enjoy a trade surplus in the second quarter of 1990 to DKr4.03bn compared with DKr1.48bn for the same period of last year, but there are now clear signs of an underlying deterioration even if the Ministry of Finance takes comfort from an improvement in the readiness of Danes to save.

Next year's budget will devote an estimated DKr23.1bn to unemployment benefit.

Mr Schluter is determined to try and make some progress this autumn on confronting what the OECD survey has called "the malfunctioning of the labour market," which "is at the core of the macro-economic imbalances of the economy."

**The chances of reaching broad agreement on a credible programme for economic recovery are not rated very highly at the moment, says ROBERT TAYLOR**

But Mr Dyremose and his colleagues are worried at the decline in government finances which became evident in the first half of the year with a fall in the size of projected revenues to meet expenditure needs.

The registered level of unemployment is rising again. The latest figures show an increase to 9.5 per cent or 267,300 people, which is the highest total since September 1984.

It looks like being a thankless task. Most economists in Denmark have reached the depressing conclusion that "stable inflation – in terms of prices or wages – would seem to be compatible with an unemployment rate of around 8 to 9 per cent."

By western European standards, this is a disturbingly high level of joblessness in the labour market to act as a disciplinary force on wage bargaining. The trouble is that Danish workers – unlike their Nordic counterparts – lack job-security but also enjoy a replacement ratio (the ratio of benefits to wages) that remains remarkably generous.

The system reflects the small enterprise character of the economy and the seasonal nature of the country's fisheries, agriculture and construction industries.

An employer only has to meet the first day of absence from work for an employee who can expect earnings related benefits up to a maximum of DKr125,000 a year which will go on being paid almost indefinitely.

But this can be obtained after only 12 months of contributions to an unemployment insurance fund, two-thirds of which comes from central government.

This passive rather than active labour market strategy goes a long way to explain Denmark's high registered joblessness with an estimated 4.34 per cent of the country's gross domestic product going into income maintenance for the unemployed and a mere 1.4 per cent on training and other programmes for them.

The government would like to reform the system by making employers and unions shoulder more of the burdens but the Social Democrats are keener on introducing some degree of employment security for workers which they lack at present.

Mr Dyremose hopes that agreement can be reached that will link benefit to training and job security.

However, others believe that a time of rising unemployment is not the best moment for any radical restructuring of the system.

The government also continues to pin its hopes on economic recovery through tax reforms. However, it is now sixteen months ago since Mr Schluter introduced what was called "The Plan," designed to make Denmark more competitive through a cut in the highest rate of income tax from its present 68 per cent to an eventual 52 per cent and a drop in the lowest band from 48 to 44 per cent over a four year timespan.

So far, there has been no progress on reaching broad agreement on such proposals, although the government did manage to cut the corporate tax rate from 50 to 40 per cent in its last budget and abolish tax-exempt allocations to investment reserve funds.

The trouble lies, as Mr Dyremose admits, in how to meet the revenue shortfall from a broadening of the tax base.

Ideally, his government would like to ease the overall tax burden in Denmark but in current political circumstances this looks a non-starter.

What no Dane can deny is that the present coalition has followed a consistently tight fiscal policy since it came to power in 1982. Its refusal to devalue and adherence of the krone to the European Monetary system and the D-Mark, has provided a degree of internal discipline which was missing in the past.

# Foreign policy in sharper focus

Continued from previous page: more confident since Denmark's May 1988 general election over the issue on whether or not visiting NATO vessels to Danish ports should declare if they were carrying nuclear devices on board.

The anti-NATO forces failed to make much headway on that occasion and the Radical Left Party that had raised the issue then agreed to join Mr Schluter's coalition.

During his first five and a half years as Foreign Minister, Mr Ellemann-Jensen found himself in the invidious position of opposing the foreign policy imposed on the government by a left-leaning Parliament – "foreign policy used to be a battleground, but not any more," he says. "It has been a long fight. Our internal problems over foreign affairs dominated the Danish political scene. Now the world has changed for the better."

A former journalist, who once edited the country's leading business newspaper Borsen, he has established a high profile in his years in office and brought a sharper focus to Danish foreign policy, which is much less a source of amusement to its NATO allies than it used to be.

He can often be undiplomatic in the way he expresses his strongly-held opinions. Earlier this year he upset the non-EC Nordic countries – especially Sweden – by casting doubts over their hopes through negotiating through the European Free Trade Association with the EC on the creation of a European Economic Area. He argued they could not expect to exercise any direct part in EC decision-making through such a device and ought to recognise their long-term interests lay in EC full membership. In fact, Mr Ullemann-Jensen has made a bet that all the Nordic countries will be inside the EC by the end of the 1990s.

**Denmark's Foreign Minister has predicted that all the Nordic countries will be inside the EC by the end of the 1990s**

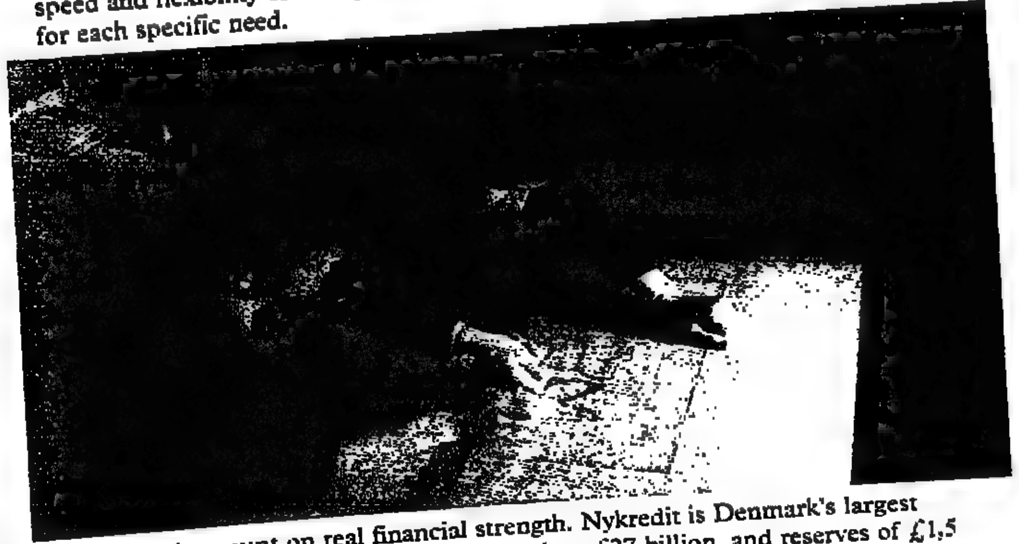
He is in no doubt that such an outcome would give the Nordic region a powerful and unified force inside the EC, whose centre of gravity has moved southwards during the 1980's. As he likes to point out, the Nordic countries together would make up the largest single voting block inside the EC.

"I have been in office, but not in power since September 1982," says Mr Ullemann-Jensen. When he arrived at the department, he doubted whether he would last to the end of the year so that his official ministerial photograph would at least show he had served into 1983. Instead, he is one of the longest-surviving Danish foreign ministers.

Still relatively young, Mr Ullemann-Jensen is a man to watch in the politics of the new Europe. His future may remain in Danish politics, perhaps as Mr Schluter's eventual successor. But, alternatively, the wider European scene beckons.

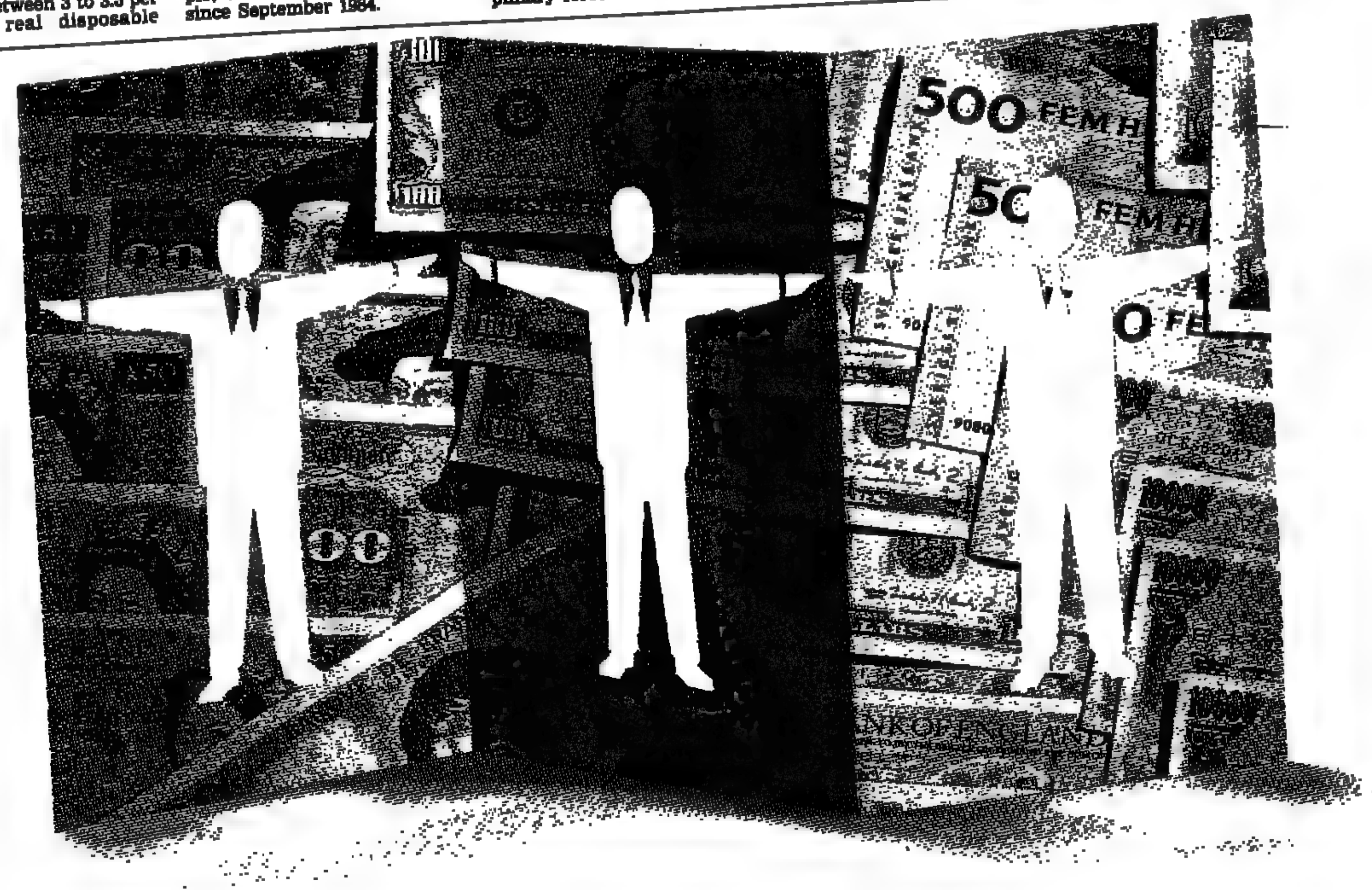
**Robert Taylor**



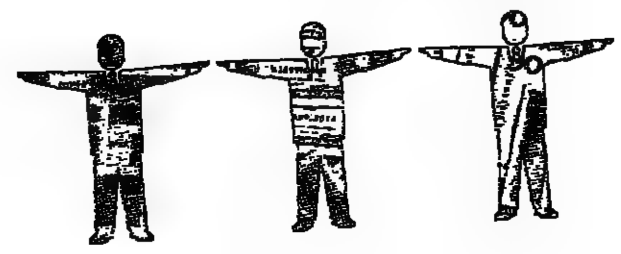










## In European terms, Danish banks are favourably placed, says Hilary Barnes

# Banks reduce branches in streamlining move

DENMARK, the OECD has reported, is over-banked, with too many people employed in too many branches in a great many banks for such a small country – about 70 commercial banks and 140 savings banks.

Danish bankers can find half a dozen reason for doubting the correctness of the OECD's conclusions, but in their heart of hearts they are aware that the proliferation of banks in the high streets speaks for itself. And the banks are beginning to act accordingly, spurred on by the two major mergers which took place with effect from January 1, which brought together the six largest banks.

The old Den Danske Bank merged with Copenhagen Handelsbank and Provinsbanken to become one of the largest banks in Scandinavia with a balance sheet total of about Dkr350bn.

Privatbanken, SDS and Andelsbanken merged to form the Unibank group under a holding company, Unidanmark.

Until the merger, no single bank felt that it could start closing branches – "It would have been suicidal," said Mr Knud Soerensen, chief executive of Danske Bank.

"Now we can reduce the number of branches without abandoning our customers and losing business."

Both big banks have plans to close about 20 per cent of their branches. Staffing requirements, however, will not be reduced so fast – by around 10 per cent over two to three years, they say.

But if this rate of staff cuts is kept up over a period of a few more years, the banking sector will indeed have been slimmed down considerably.

The layman may have reason to think that fewer, bigger banks will mean less competition, and hence less favourable conditions for customers, but the bankers do not accept this reading of the situation.

Firstly, they say that international competition will keep them on their toes.

Secondly, they point out that there are a still a lot of smaller banks around "and they are yapping at our heels," says Mr Sten Rasborg, who, besides being chief executive of Unibank, is chairman of the Banking Council (as the Bankers' Association became when the commercial banks and savings banks sank their differences and formed one association, earlier this year).

In the first half year after the mergers, the smaller banks, the third and fourth ranking Bikuben and Jyske Bank and the many provincial banks, performed considerably better than the two new big banks, which both made substantial and rather unexpected increases in their loss provisions and made only modest profits.

The reason for the large provisions, common to both banks, was the generally difficult economic situation.

But, somewhat surprisingly in view of the activities on the Bank Inspectorate, which has taken a lively interest in provisions policy since several banks went bust in the mid-1980s, there turned out to be significant differences in the provisions policy of the three banks in the Danske Bank group.

The old Danske Bank took a more conservative view, and when this was applied to Handelsbank and Provinsbank, the group's total provisions rose substantially.

### □ The European dimension

In European terms, the Danish banks are favourably placed, especially now that the two mergers have made the big banks visible on the European map.

The main advantage which the Danish banks have, however, has arisen because the capital ratio requirements under the Danish regulations have always been much tougher than in any other European country.

Now, with the implementation of the Cooke Committee guidelines, the Danish banks find themselves over-capitalised.

This means that they have ample room to expand business for the next four or five years without having to go to the market for new capital, says Mr Rasborg.

### □ Financial conglomerates

The same cannot be said of the bond-issuing mortgage credit associations, which play a prominent role in the Danish financial scene: the two largest, Kreditforening Danmark and Nykredit, both have total assets of over Dkr300bn. They need new capital to meet the EC's capitalisation requirements.

Unfortunately, they have sustained heavy (realised) losses as a result of the difficult economic conditions since 1986, which has made their position even more difficult. The politicians seem to have decided to compound the problems.

The Government has asked the Financial Services Inspectorate to consider whether the associations should have to make provisions against possible losses, in line with the banks, and not only, as now, for realised losses.

If the Inspectorate asks them to apply the same criteria as the banks, their provisions would soar by billions of kroner. The associations are pregnant with plans to become joint stock companies, with a holding structure, which would enable them to issue shares.

But legal problems have arisen over the question of how much of their reserves they can define as equity capital and how much belongs to the borrowers.

These problems are also holding up plans to form financial conglomerates incorporating banks, insurance companies and mortgage credit institutions within a single group, under a holding company.

However, Unibank, Tryg, the mutual insurance group, and Nykredit have already formed an alliance, with the intention at a later date of becoming a group. Others are expected to follow this lead, once the game of choosing partners has been sorted out.

These conglomerates will be monsters, with total assets of well over DKr600bn, which will, once again, contribute to the visibility of the Danish financial institutions on the European scene.

## Boost for Anglo-Danish trade

# Campaign offers far more than bacon and butter

THE publication of this survey coincides with the concluding events in a major Danish trade promotion, "Denmark in Britain," which was launched 18 months ago.

One of the objects of the campaign was to persuade the British business community that Denmark has a lot more to offer than bacon and butter. More than 50 activities have been arranged, most of them on a narrow front, such as promotions for rehabilitation equipment or building materials.

"The campaign has definitely had an impact and we shall see results," says Mr Poul Esseman, trade counsellor at the Danish Embassy in London.

Ironically, however (and the trade campaign can in no way be held responsible), 1990 is proving to be a somewhat disappointing year for Danish exports to the UK; in krone terms, they have increased by less than one per cent so far, while it is one of the best years for British exports to Denmark for a long time, with exports, in sterling terms, up by 20 per cent. The figures reflect in part, in the case of both countries, exchange rate fluctuations.

"It is important for Danish exporters that the UK should join the ERM, as this would stabilise the exchange rate relationship," said Mr Esseman.

Mr Peter Longworth, the energetic and ebullient commercial counsellor at the British Embassy in Copenhagen, is delighted with progress this year.

"At last we've broken the seven per cent barrier," he says, meaning that for the first time for many years the UK share of Danish imports has risen above seven per cent – to 7.7 per cent. He believes that this is owing to the persistent and strenuous efforts of colleagues over a long period to build up contacts between Danish and British businessmen.

"We've managed to get across the message that the British image has changed and we are a contemporary and relevant business partner, and we've worked hard to develop contacts not only in Copenhagen but in Jutland, the manufacturing heartland of Denmark," he said, speaking while on yet another trip to Herning, the centre of the Danish clothing and textile industry in Jutland.

He is happy to report that the embassy is now getting an average of 140 enquiries a month from British companies, 20 per cent higher than when he arrived in 1987.

**Hilary Barnes**

### Production company profile: Aarhus Olie

# Rapid overseas expansion

AARHUS OLIE, the vegetable oils and food ingredients company, is a business which grew up with Danish agriculture, but has now outgrown its base in the Jutland city of Aarhus.

With a turnover of about Dkr2.2bn and about 850 employees in Denmark and some 2,500 worldwide, it has production facilities in Britain, the US, Sri Lanka and Malaysia, as well as Denmark.

Its international growth has been especially fast in the past couple of years, when it has acquired the speciality oil production facilities of Procter & Gamble in Britain, set up a large production plant in the USA, and begun production of dessicated coconut in Sri Lanka.

The company's production is based on the refining and processing of oils and fats from vegetable and palm oils. It has a long-standing co-operation with in the Danish-based United Plantations group, which has extensive plantations in Malaysia and Australia.

In the oils business, Aarhus Olie is especially well-known for the production of cocoa butter equivalents and cocoa butter substitutes, supplying most of the world's large chocolate producers.

The products improve the stability of choclate, so that, for example, it does not melt so easily in hot climates or develop a "bloom" too quickly after leaving the factory. The company has recently begun production of cocoa butter substitutes at a new $15m plant in Newark, New Jersey, with capacity to produce 60,000 tonnes of oil products a year.

The plant was sited on the US East Coast in order to be close to the biggest of ther American chocolate goods manufacturers. Proximity to the producers is a condition of success in the US market, as producers do not want to be dependent on products which have to be shipped across the Atlantic.

Nearness to the market also helps the group to work closely together with the producers to identify their needs and refine products which are tailor-made for a particular purpose. This approach to working with the customers is regarded by Aarhus Olie as one of its special strengths.

In Sri Lanka, Aarhus Olie has gone into co-operation with the Sri Lankan government to develop a substantial production of dessicated coconut. The project, Serendip Coconut Products, is controlled through Ceylon Trading, a subsidiary of Aarhus Olie.

When Serendip reaches full capacity, it will treat 280,000 coconuts a day and produce about 8,000tonnes a year, enough to supply between six and 10 per cent of the world market for dessicated coconut, say Aarhus Olie. This will make it by far the largest producer of dessicated coconut in Sri Lanka, a fact which caused a certain amount of labour unrest at some of the other plants, where workers feared for their jobs.

The group's production company in the UK is Anglia Oils, which refines palm oils at its own plant in Hull, which weent into production in 1984. When it took over the vegetable oil refining units of Procter & Gamble in 1988, it became a major supplier of oils to the British bakery industry, in which the products are used for, among other things, to keep products crisp, and to assist in giving cakes, biscuits and pastries a satisfactory structure and longer shelf life.

Over the past year, the group has developed a new product for which managing director Jorgen Handberg believes there is a very large prospective market. This is a vegetable oil product which can be used for cleaning printing presses instead of the mineral oil-based solvents which are normally used.

The solvents are thought by scientists in Scandinavia to cause serious health problems for workers exposed to them for long periods, such as loss of memory, headaches and loss of orientation. The findings remain controversial, but in other countries in Europe there is now a growing awareness of the possible hazards of working with solvents. Unions are seeking the use of alternative cleaning materials.

Since 1986, turnover by Aarhus Olie has increased from Dkr1.59bn to Dkr2.2bn.

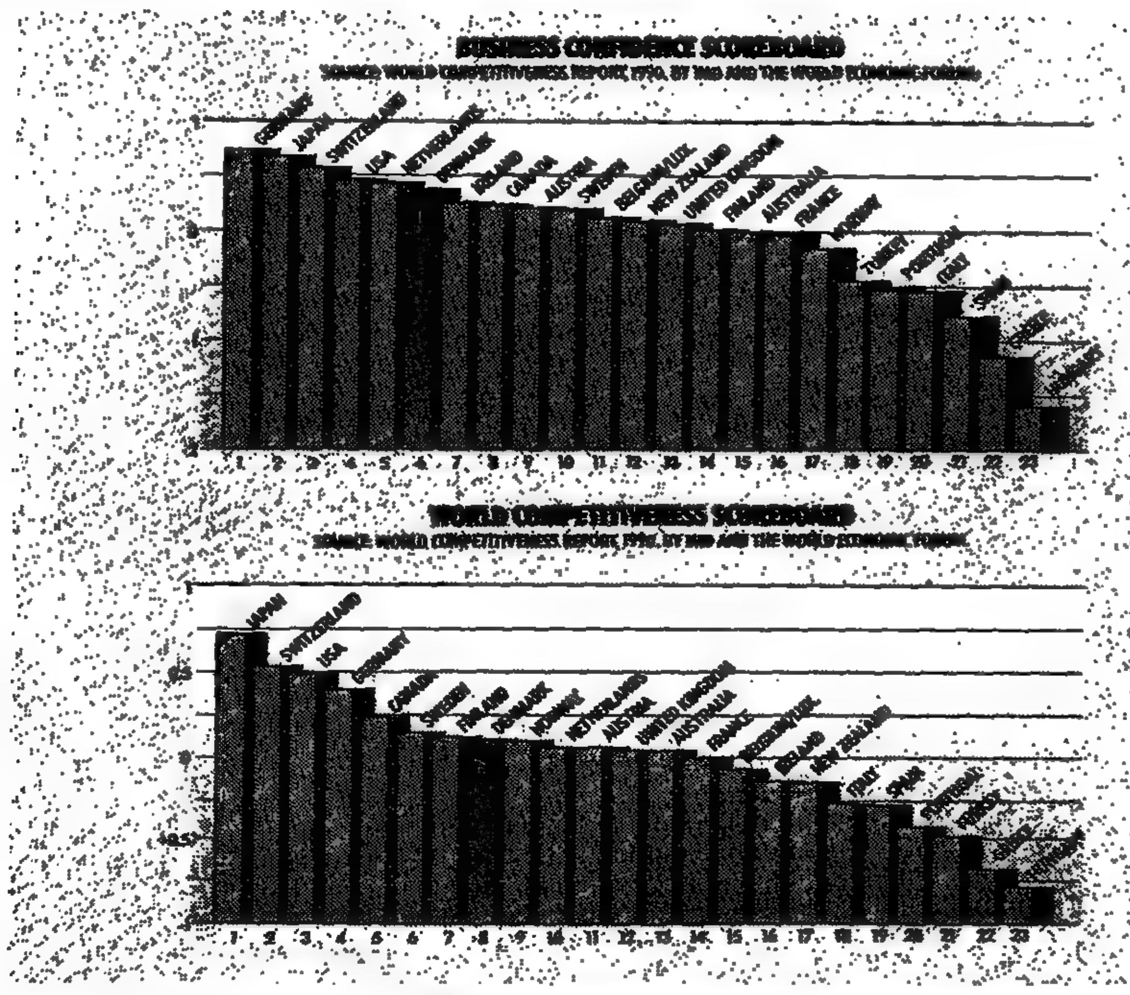
Fluctuating raw material prices mean that the group's profits also fluctuate, peaking at Dkr156m after tax in 1988 and falling to Dkr85m in 1989, a rate of return on capital of 21 and 14 per cent, respectively.

**Hilary Barnes**

## DIRECT INVESTMENT

# WHAT BUSINESSMEN THINK ABOUT DENMARK

*Corporate executives have just given Denmark a strong vote of confidence, as these graphs from The World Competitiveness Report 1990 make clear. Words are also being matched by deeds: direct foreign investment in Denmark has grown steadily in recent years.*




*A sharp increase in business confidence and competitiveness.*

Business opinion about Denmark is changing. In 1990, the nation jumped from 12th to 6th place on the Business Confidence Scoreboard of *The World Competitiveness Report*. Simultaneously, it went from 12th to 8th place on the report's World Competitiveness Scoreboard. Business confidence in the nation's future and in Denmark's ability to compete internationally is based on solid economic evidence—and geography.

__A strong economy__

Consider the economic picture. Denmark now has:

- □ One of the lowest inflation rates in Europe: less than 3% and falling
- □ A substantial and growing surplus in its balance of trade: more than 4% of GDP
- □ Wage increases significantly below those of other European countries
- □ A strong, stable currency tied to the EMS
- □ One of the lowest effective corporate tax rates in Europe
- □ A reassuring economic outlook: The OECD projects 1991 growth in GDP at 2%, industrial production at 4% and exports at 4.3%

**A central location**

Denmark is also strategically located. As a member of the European Community, it has access to the 325 million


*Denmark provides access to the EC, Scandinavia and Eastern Europe.*

consumers in the Single Market; and as a Scandinavian nation, it serves as a bridge to the non-EC—but very affluent—Nordic countries. There are also strong commercial links between Denmark and the new market economies of Eastern Europe, including the Baltic lands.

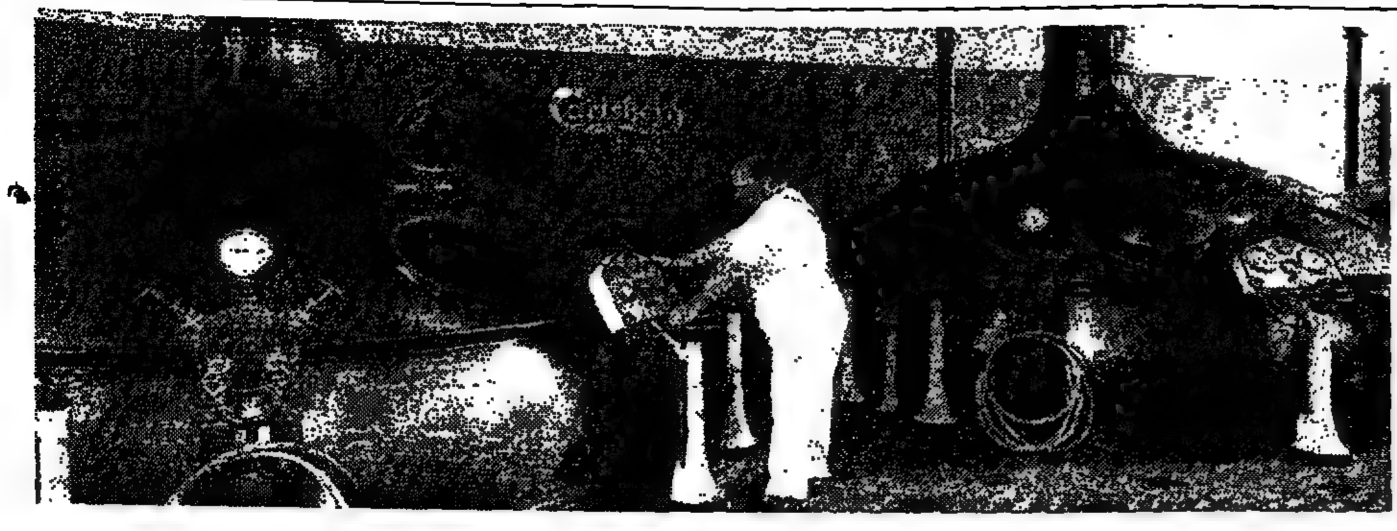
Foreign-owned companies established in Denmark can take advantage of these ties thanks to a well-developed infrastructure geared to international distribution. Indeed, some 2,000 foreign firms are doing so right now, and the pace of direct foreign investment has increased markedly in recent years.

Businessmen *are* thinking about Denmark and perhaps you should, too. For more information please call the numbers shown below.


*Foreign investment in Denmark continues to grow*

Royal Danish Ministry of Foreign Affairs

**For more information:** In Japan: Royal Danish Embassy, Tokyo (3) 496-3001. In the United States: Royal Danish Embassy, Washington, D.C. (202) 234-4300. Royal Danish Consulate General, New York (212) 223-4545. Chicago (312) 787-8780. Los Angeles (213) 387-4277.
**Elsewhere:** Royal Danish Ministry of Foreign Affairs, Investment Secretariat, Copenhagen +45 33 92 00 00.



Carlsberg, the brewery group, with turnover of about Kr15bn, brews two-thirds of its beer in breweries abroad.

## Manufacturing industry

# Mergers abound

THE DANES have always tended to believe that small is beautiful, but the creation of the single European market has persuaded business leaders that big is sometimes necessary.

The realisation, which began to surface in 1988, has had a major impact on the structure of Danish business over the past two years, leaving its trace in manufacturing, financial services and the agricultural co-operative meat and dairy sectors.

Two major mergers in the manufacturing sector have stolen the headlines, but in the shadow of these there have been many other, smaller get-togethers. The big ones were the formation of Danisco and the merger of Novo and Nordisk Gentofte Novo Nordisk has become a pharmaceuticals and enzymes group with a turnover of about Kr7bn.

Novo Nordisk has large world market shares in its key insulin and industrial enzyme products, and one of the biggest research teams anywhere working on CNS (central nervous system) remedies.

So far, results from Novo Nordisk look promising, although the performance has been partially masked by an appreciation of the Krone this year. Danisco was formed from the merger of the Danish Sugar Factories, Danish Distillers and Danisco, a food ingredients company.

In its new shape it has a turnover of about Kr12bn. The small company with a niche product which has a sizeable share of a small market is typical for Denmark. Some of these companies, small by global standards, are not so small in Danish terms, such as Danfoss, with 13,000 employees and a turnover of Kr9bn, in temperature control equipment, hydraulics, and compressors (it is about to market what may be the first compressor which does not use the CNS gas freon),or Grundfoss for stainless steel submersible pumps.

There are many notable smaller companies in the medical products sector, such as Radiometer, in blood gas analysers, and Coloplast, in disposable plastic products such as colostomy bags, while four Danish companies have about 25 per cent of the world market for hearing aids.

The electronics industry is likewise dominated by small, niche companies, but nonetheless Denmark has a higher per capita export of electronics products than any other European country except Belgium, according to the Danish Electronics Manufacturers Association.

The Danish furniture industry, which since "Danish design" entered the international vocabulary in the 1950s has continued to do well in export markets in Europe, the US and, latterly, in Japan, is sustained almost entirely by tiny firms, few of which have more than a couple of hundred employees.

But there are also outstanding large companies, which long ago burst out of the restrictions inherent in the small domestic market. The largest of them is the A. P. Moller group of companies, represented on the Stock Exchange by D/S 1912 and D/S Svendborg.

These two companies together have a market capitulation of about Kr38bn, which is twice the value of Den Danske Bank, its nearest rival in this respect, and four times the value of the largest industrials, Danisco, Carlsberg and Novo Nordisk. APM's shipping business, best-known by the Maersk name, is one of the world's biggest shipping companies, owning or operating some 150 vessels and into almost every form of shipping except passenger traffic.

The Maersk Line global liner services handle 125,000 containers. APM is also the Danish partner (and operating company) in the Danish Underground Consortium together with Shell and Texaco. DUC produces oil and gas from the Danish sector of the North Sea. APM's offshore interests extend far beyond the frontiers of Denmark, since it operates some 50 offshore drilling rigs, ranging from barge rigs to some of the world's largest and most sophisticated jack-up and semi-submersible rigs.

In addition, APM is a half owner of the country's biggest retail stores chain, Dansk Supermarked, operates an airline, Maersk Air, one of Europe's leading shipyards, the Odense Steel Shipyard, and several manufacturing companies.

The published turnover figure for the APM companies is Kr22bn and the group has about 25,000 employees worldwide. Other big league companies are the East Asiatic Company, turnover about Kr16bn, particularly well-known for its operations in South-East Asia, where abou half of its global work force is employed.

ISS, the industrial cleaning and building maintenance group, has over 120,000 employees world-wide, boasting the world's largest army of cleaners.

Carlsberg, the brewery group, with turnover of about Kr15bn, brews two-thirds of its beer in breweries abroad – in Britain, Germany, Spain, Italy, Malawi, Malaysia and Hong Kong – and chief executive Poul J. Svanholm's ambitions are by no means satiated.

FLS Industries is another of the big ones with an international profile. It is a world-leader in the design and construction of cement-making machinery and plant, and almost doubled its share of the world market last year by acquiring its main American rival, Fullers. Domestically, FLS is also big in building materials and packaging.

**Hilary Barnes**

## Impact of a strong science tradition in universities

# New industrial successes

Denmark is strong in biomedical research and physics. Above: a technician at work in one of the many laboraties at NOVO's headquarters in the outskirts of Copenhagen.

DENMARK has a higher per capital export of pharmaceuticals than any country except Switzerland, according to the Pharmaceuticals Manufacturer's Association in Copenhagen.

In addition to the pharmaceuticals companies, headed by Novo Nordisk, Loevens Kemiske Fabrik and H. Lundbeck, it has many companies whose success is built on ability in the life sciences, such as the food ingredients companies, for example, Chr. Hansens Laboratorier, which is now able to use genetic engineering on an industrial scale for manufacturing rennet, an enzyme vital to cheese-making; Aarhus Olie, a specialist in vegetable oils for the food and cosmetics industries; and Grindsted Products, a subsidiary of Danisco.

These industrial successes are linked to a strong science tradition in the universities, which has recently been documented by Mr Tor Noerretranders, a Danish science writer.

"Denmark is one of the world leaders in high-quality, high-impact basic science," he says.

Mr Noerretranders bas measured Denmark's strength in science by using what is known as the "bibliometric method", which consists of counting citations of Danish scientific literature in papers written by the rest of the world's scientists.

The crude tally is then related to the population of the country concerned.

The results of the measurements show that, measured by citations, three small countries, Switzerland, Sweden and Denmark, in that order, have the best performance, while the big countries, such as the UK and the US, come well down the list.

In Denmark's case, performance is especially strong in biomedical research and physics, the first probably associated with a well-organised health system, the second with the tradition started by Niehls Bohr, the father of quantum physics.

In contrast to this high performance in basic science, Denmark ranks low for research and development expenditure, which amounts to only about one per cent of GDP.

According to Mr Noerretranders, the amount of government- funded research, mainly in the universities, is on a par with other comparable countries.

But the resources allocated to R&D by the private sector fall well below the levels in countries such as the UK, Sweden, Germany and the US.

**Hilary Barnes**

## Oil and natural gas supplies

# Cause for satisfaction

THE GULF crisis has given the Danes cause for satisfaction on at least one count: they have developed a substantial degree of self-sufficiency in oil and natural gas from finds in the Danish sector of the North Sea.

This contrasts with the situation in 1973, when the first oil price shock came, accompanied by fears (unfounded, as it turned out) that supplies would also be disrupted.

At that time, Denmark was entirely dependent on imported energy.

Denmark now produces 5.5m tonnes a year of oil from North Sea fields, as well as about 2.5bn cubic meters of natural gas, a total of over 8m oil-equivalent tonnes. The country's oil requirement is about 9.5m tonnes.

The government is planning a substantial expansion of gas consumption in the 1990s as part of its long-term energy programme, with gas replacing coal in electricity production.

Output from the Danish fields will rise to 4.7bn cubic meters a year by the mid-1990s.

The use of natural gas as a replacement for coal, plus a planned reduction in energy consumption by 15 per cent by 2005 (excluding the transport sector) will, according to the government, bring about a reduction in emissions of carbon dioxide by 30 per cent, sulphur dioxide by 60 per cent and nitrogen dioxide by 50 per cent – without, says the government, having an effect on economic growth.

The transportation and distribution of natural gas is the responsibility of the state agency, Dansk Olie og Naturgas (DONG), in conjunction with regional gas companies. The gas project has come under criticism because it is only possible to sell the gas to households and industry by exempting it from the energy taxes applying to other fuels.

But DONG appears to have done a good job of building up the main distribution network, developing an expertise which has enabled it to win a number of international consultancy and planning contracts in competition with older and much larger European gas companies. Among them is a contract as consultant to the Greek national gas company, which is planning a national gas distribution network.

**Hilary Barnes**

# An export success in the shoe industry

ECCOLET SKO, the shoe manufacturer in the little village of Bredebro (population 1,800) in south-west Jutland, is an example of what visionary Danish entrepeneurs are capable.

Founded by Mr Karl Toosbuy in 1963, at a time when the Scandinavian shoe industry in general was dying out, Ecco has now become one of the largest shoe manufacturers in north-west Europe, employing about 1,800 people (more than half of them in Portugal).

The company has a turnover of about Kr750m.

Ecco shopes are designed for the leisure society and, says Mr Toosbuy, it was his "good luck that the leisure society developed first in Scandinavia."

The shoes are of high quality in design, manufacture and comfort – "as comfortable on the day you buy them as the old pair you are discarding," he says, "and they are suitable for wearing at work or for weekend walks."

The design and life-style concept is only part of Ecco's success; it is also a leader in shoe industry technology.

"We have to keep 10 years ahead of the competition," says a confident Mr Toosbuy, looking as if he is fully convinced that he can do just this.

Perhaps the best tribute to Eccolet's technology is that a company in Japan is constructing a shoe factory, on licence, using Ecco's technology.

There is also a factory in Czechoislovakia using the same process – and further licence sales are planned.

Computer-aided design and manufacturing, along with robots and automatic moulding machines are all part of the process in the factory in Bredebro, where uppers made in Portugal are moulded on to the soles, and from where all marketing, sales and invoicing takes place.

At peak production periods, as many as 8,000-9,000 people world-wide will be working on Ecco shoes, when sub-suppliers, in Brazil, India and Thailand, are counted.

Hilary Barnes

## Agriculture and food processing

# Crucial issues

THE GATT Uruguay Round negotiations are of crucial importance to Danish agriculture, which supports by far the biggest of the Danish industrial sectors, food-processing.

Basic agricultural products account for about 18 per cent of Denmark's merchandise exports. And when furs, beer, biscuits and other products with an agricultural origin are added to the total, around a quarter of the country's exports are agriculturally-based.

Denmark is exceptional in an EC context in that it a large share of its exports go to third world countries. Furthermore, Japan is as important as the UK for pigmeat exports; Iran is its biggest market for cheese; the US is an important market for sliced ham. The Middle East consumes large quantities of Danish dairy products, and so, just now, do the American troops in Saudi Arabia.

The emphasis being placed in the Uruguay Round negotiations on cutting export subsidies can have a particularly serious impact on Denmark. Indeed, says Mr H.A.O.Kjeldsen, chairman of the Agricultural Council, the situation could turn into "a disaster."

But Danish farmers' leaders say that, given "a level playing field," and a reasonably long transition period, Danish agriculture and its products are of such a high quality that it has a good chance of doing well in a less-regulated world.

The agricultural industry, meanwhile, is not standing idly by. The dairy and meat packing industries, which are entirely dominated by farmers' producer co-operatives, are undertaking two related reforms.

The dairies and slaughterhouses have undergone a drastic process of concentration. The dairy industry is now dominated by two big groups, MD Foods, which processes about two-thirds of the milk produced; and Kloever Milk.

At the beginning of this year, there were nine large slaughterhouse groups, topped by Tulip and Steff Houlberg. By the end of the year there may be only five – and the largest of them, the result of a proposed merger between Tulip, Sundby-Wenbo and East Jutland, will become one of the

A cheese shop in Copenhagen. Danish dairy products score high marks for quality.

largest, perhaps the largest, slaughterhouse group in Europe, with a turnover of about Kr8bn-9bn and 8,000 employees. Concentration in meatpacking and dairies is being accompanied by a parallel development which represents a radical departure for the co-operative movement.

"We are making agricultural history," as Mr Flemming Lindelov, chief executive at Tulip, said. The four largest processed-meat products manufacturers, Danepak, the UK bacon factory, Normeat, JAKA Foods, and the processed meat products division of Tulip, which together produce some 180,000 tonnes of processed meat products a year, have been hived off into a new company, Tulip International.

It is a joint stock company, an entity hitherto regarded with deep ideological suspicion by the co-operative movement. What is more, the company is supported by equity capital from external sources, the Danish institutions, headed by Hafnia Holding, whose chief executive Mr Per Villum Hansen, has played an inspiration role in this process.

External equity capital has previously been anathema to the co-operators, who formed the co-operatives at the end of the last century in order to get themselves out of the clutches of "monopoly capital."

Concentration, says Mr Lindelov, is necessary partly to achieve a more rational use of capital, management and R&D resources, partly to be able to become a serious partner for the big European retail chains, which are also undergoing a rapid process of concentration.

External capital is necessary for the processed meat (ham, forced meat products) because it is an industry which needs long-term investment and capital which has the patience to wait for its reward, he says, while in the traditional meat-packing co-operative the farmer wants his pay-out, cash-down, in the form of the "dividend" at the end of each year.

Tulip International plans both to develop new products, fast-food and ready-made meals, and to expand by acquisitons abroad. MD Foods, supported by the same group of institutions, has set up MD Foods International, which also has its sights set on expansion abroad through acquisitions.

Finally, Hafnia together with Intercool Technology, a company owned by Tulip, BHJ Holding and APV Pasilac, Danish subsidiary of the UK-based group, have formed a company, Dagro, with the intention of acquiring and developing pig production and meat processing plants abroad in order to take Danish know-how and technology to the markets where the raw materials are to be found – and thus to secure the global position of the Danish pig industry under changing world trade conditions.

Hilary Barnes

## Expansion in the tourism sector

# Emphasis on active holidays

TOURISM in Denmark is on the increase, boosted by the growing "green" consciousness among holiday-makers and a determined effort - and bigger budgets - by the Danish Government.

For pleasant, clean, sandy, unpolluted beaches, Denmark is *the* place. This year it had more beaches flying the appropriate EC flag, which means that they achieve EC standards for cleanliness, than any other EC country.

This is a strong selling point, especially with German holiday-makers, for whom Denmark is a short trip up the autobahn.

"There is a clear movement away from the south-bound fixation of the past, when holidays meant rushing south to lie on a dirty, crowded beach.

"The emphasis now is on active holidays where the family can cycle or windsurf together and experience something new," says Mr Jorgen Bertelsen, director the Danish Tourist Board.

The figures seem to support his view. Overnight accommodation figures were up by 12 per cent in 1989 and holiday cottage rentals by 19 per cent. Preliminary reports for this summer tell of further growth, with advance bookings of holiday cottages for summer 1991 also said to be breaking records.

The increase in tourism is particularly notable in view of the strength of the Danish krone, which makes Denmark an expensive place to visit – "what we offer is value-for-money services," says Mr Bertelsen.

These services include well-run camping sites, lots of marinas which welcome yachtsmen visiting the Danish Baltic archipelago, and attractive summer cottages maintained to a high standard. And then there is the sea, sand and sky. The population density of Denmark is roughly half that of Germany or Britain, and Danish beaches appear to be delightfully uncrowded.

So do the roads, which if one has been driving on British or

**Advance bookings of holiday cottages for next summer are already breaking records**

German roads come as a blessed relief. To those for whom sea, sand and sky are not the object of a holiday, Copenhagen has much to recommend it. By the standards of capital cities, it is clean, uncrowded, and unspoilt by the ravages of developers.

Indeed, some may think that modernisation has not gone far enough, however: it is 12 years since a new city-centre hotel was built and interminable political bickering is delaying the development of large and attractive former dock areas.

It has several excellent museums (for example, the New Carlsberg Glyptotek for classical sculpture and a good collection of paintings by Paul Gauguin; Thorvaldsen's Museum for neo-classical sculpture; and, for modern art, Louisiana, at Humlebaek, north of the capital); also Hamlet's Castle at Elsinore, and many delightful 17th century churches and palaces.

A visit to Copenhagen in the summer is not complete without a visit to Tivoli, the amusement garden in the city centre (which is only open from May 1 to September 15), a pleasing mixture of funfair, gardens, concerts and some of the best restaurants in town.

Tivoli, which is a limited company listed on the Copenhagen Stock Exchange, is having considerable success in exporting its unique concept, especially to Japan.

Above: the boating lake at the famous Tivoli Gardens at dusk; and, below, vessels at picturesque Nyhavn, Copenhagen

With tourism on the increase, the Government may certainly take some credit. It has boosted the budget for the Tourist Board from Dkr25-30m four or five years ago to Dkr250m for 1991, including Dkr130m for campaigns abroad.

"The Government has woken up to the fact that tourism is an important industry and it has put more effort into supporting the sector," says Mr Bertelsen, who hopes to see the number of visitors to Denmark each year double to about 14m by 2000.

Xueling Lin



ADVERTISEMENT

news letter

DANISH DESIGN

# It is in every quality product

Design has been an integrated element in Danish manufacturing for a long time – accepted as a creative process which both takes account of tradition and looks ahead into the future. This approach is used in relation to a far wider range of products than those normally associated with "Danish Design", such as chairs, lamps and other furnishings. It includes pumps, electric switches and a vast number of other industrial products, including many which are not even visible in operation.

Every year, the Danish Design Centre awards a number of products prizes for good design. Some examples are given below to illustrate how design is a central concern from the outset, to ensure easy manufacture and maintenance, as well as to achieve an optimal combination of function and form.

## Multimec

Almost every industry is dependant on external suppliers – who may have very different ideas about design. Many good design intentions have been ruined when components could not be found which would blend with one another and thus enhance the appearance of machine, console etc. With its MULTIMEC series, MEC A/S has given equipment designers and constructors a selection of switches and pilot lamps that can be combined in countless ways to produce attractive and efficient units. The switches exploit the so-called micro-switch technique and are based on miniaturization of the mechanical function.

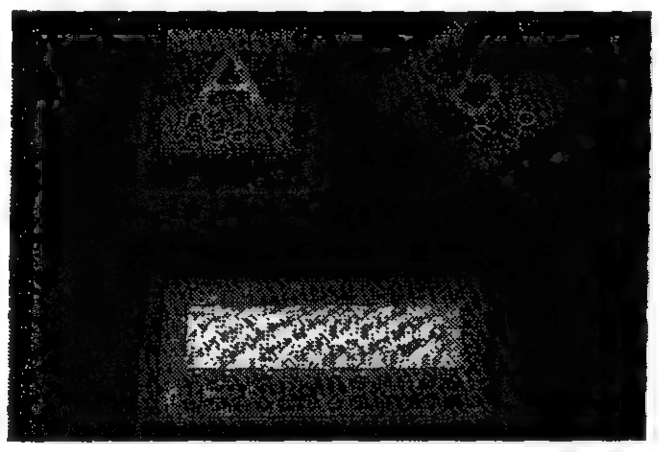
Design:
David Lewis IDD
Manufacturer:
MEC A/S

## Stainless Steel Cutlery

Bo Bonfils' cutlery is in clear line of descent from Henning Koppel's New York set, which was awarded the ID Prize in 1986, and Kay Bojesen's fifty-year-old Grand Prix series – and much further back still, to the classic English silver from the end of the 18th century. The cutlery's quality is also evident from its function and manufacture. The handles of the range fit comfortably into the hand and the stainless steel

has been beautifully treated with a polish that brings out the noble sheen of the material.

Design:
Bo Bonfils
Manufacture:
Royal Copenhagen A/S



## Leak Locator

The Caltronic Leak Locator is based on the exploitation of both acoustic measuring technique and electronic information processing. By placing the sound probe at two different places on a suspected pipe, a leak can be located quickly and precisely. Development of this highly effective technique required a combination of advanced research with an understanding of the working environment.

Design:
Christian Bjørn Design ApS
Manufacturer:
Caltronic A/s

## PCM Meter EPM 05

The GN Elmi PCM Meter is a battery-powered hand-held instrument for monitoring and measuring in connection with the installation, operation and maintenance of telephone exchanges and other communication systems. Its appearance is of an honest, unpretentious tool that does not pretend to be anything else than a tool for daily use by a fitter searching for faults.

This example points forward to a world where technology is used to make life easier for all and to liberate us from the uncertainty that is often associated with something new and unknown.

Design:
Jan Trägårdh MAA IDD
Niels Christiansen MAA
Manufacturer:
GN Elmi as

DENMARK IN BRITAIN, an export campaign supported by the Danish Export Promotion Council, was established to present a range of

DENMARK IN BRITAIN

Danish goods to British consumers. Even though the trade links between the United Kingdom and Denmark are strong and centuries old, there are still many Danish manufacturers whose products are not particularly well known on the British market.

This newsletter describes a sector in which Danish industry has gained special experience of interest also to the United Kingdom.

**Contact Points:**

Danish Design Centre
18 H.C.Andersens Boulevard
DK-1553 Copenhagen V.
Tel. +45 33 14 66 88

Royal Danish Embassy
Commercial Section
55 Sloane Street
London SW1X 9SR
Tel. 071 235 12 55
Telefax: 071 333 0243

# RECRUITMENT

## JOBS: Ways of cutting the risk of appointing incompetents raise dilemma for social policy

# Problem of picking the best-equipped people

HOW many readers are guilty of putting off studying some potentially important report, shilly-shallying over a colleague's request for inconvenient action or the like? The Jobs column's guess is that very few people can be wholly innocent of such sins of omission.

So most of us probably feel a bit abashed by the disclosures of judicial inquiries into industrial disasters. Examples in Britain are the inquest on the 35 victims of the 1988 Clapham rail crash, and the trial of P&O European Ferries (Dover) and seven former staff over the sinking of the Herald of Free Enterprise off Zeebrugge in 1987 with the loss of 192 lives.

Nobody could sensibly deny that the inquiries are necessary. When life and death turn on employees' actions – which in the case of most jobs, they mercifully do not – the decisive failings need to be identified and exposed.

More vital still, however, is that they need to be prevented from happening again. And that is a less easy task because the complexities of working organisations make it hard to decide to what extent the identifiable culprits' errors were really their own fault.

Anyone who doubts it would do well to read Zhores Medvedev's new book* on the disaster at the Chernobyl nuclear power station in 1986. He traces the release of massive and still incalculably destructive radioactivity to flaws far beyond the ken, let alone the control, of the operator whose mistake actually released it.

One of those flaws, for instance, lies in the Soviet system of paying bonuses to workers for finishing assignments on schedule, and even bigger sums for completion before time. Medvedev's study persuades him that the event which led to the disaster was not an attempt to improve a safety-device already installed (as was officially reported), but an effort to fit one that had been left off the reactor in the rush to have it accepted as operational on December 31 1983.

If the director of the station had not signed the acceptance on that date, the book says, "thousands of workers, engineers and his own superiors in the ministries and committees would have lost bonuses, awards and other extras (which often amount to as much as to or three times a monthly salary). Since salaries rarely increase in the Soviet Union, the bonuses paid for fulfilment or over-fulfilment of the plan become an increasingly important part of the average industrial income."

Hence the Soviet bonus system exemplifies how policies adopted by the leaders of a whole society, not to mention chiefs of companies, can play their part in causing accidents lower down. In which case, to my mind, the conclusion is clear. If lives are at stake, the hazardous policies should be changed.

### Fire inquiry

But that too is no easy problem – as is illustrated by a further disaster which, although far less widely damaging than Chernobyl, caused about the same number of immediate deaths. It was the fire in London's King's Cross underground railway station three years ago, in which 31 people died.

One finding of the official inquiry was that, although there had been several previous reports on fire risks in stations, staff in responsible positions had failed to heed the reports' implications.

Now interpreting reports is not something everybody can do. How well people do it depends on how good they are at intellectually assimilating information presented in written words and figures – or, in other words, on their verbal- and numerical-reasoning ability.

To say that intellectual skills are not the be-all and end-all of high-level work (as I did both last week and the week before), is not to deny that they are a necessary part of it. Indeed, how essential they are has just been outlined by the British psychologist Peter Saville, of the Saville and Holdsworth consultancy, during a conference at Warwick University.

He explained that the reasoning ability, which can be measured by well established tests, is one of the best predictors of success in most kinds of managerial jobs. Research on huge numbers of people has shown that, in general, wise use of the relevant tests halves the risk of appointing an unsuitable candidate. So the London underground rail authority is clearly justified in using measured reasoning ability as a criterion in selecting people for managerial jobs. The trouble is that in doing so, it has raised a dilemma for public policy.

The authority's use of the tests has been examined by Britain's Commission for Racial Equality, and the findings reputedly show that variances in people's measured reasoning ability are significantly linked with their origins. On the whole, the highest scorers are not whites – Ugandan Asians do rather better. But whites have a marked edge on other ethnic groups, especially Bangladeshis and Afro-Caribbeans.

London underground's results are not an isolated case. Similar findings have emerged from large-scale studies in America, which have also shown that men in general score higher than women.

The linked differences are in average performance, so that the least successful individuals in a higher-scoring group are often surpassed by the most successful in a lower-scoring one. Moreover, the varied performances of Ugandan and other Asians seem to support the view of many if not most psychologists that the main causes of the differences are, not genetic, but social and so remediable. One possibility is that educational practices primarily designed for middle-class white children are ill suited to those of other origins.

### No quick cure

Nevertheless the social causes of reasoning weakness would almost certainly take two generations or more to correct. So, if London underground were to select the individuals with the overall best performances, for a long time to come its managers would be very largely whites interspersed with a few Ugandan and other Asians.

It would be a strategy which, on such scientific evidence as exists, would give the best chance of overcoming the weakness identified by the King's Cross inquiry. But the result would bode ill for the peaceful future of a multiracial society.

According to Dr Saville, United States policy-advisers favour a compromise strategy. They argue that, as an alternative to filling all managerial posts with the highest overall scorers, a quota of jobs could be fixed for each ethnic group, and filled with its own best performers. Calculations suggest that the compromise would still raise the reliability of selection, and that the gain would be only 23 per cent less than the maximum from the devil-take-the-hindmost option.

Even in the US, however, the compromise proposal is fraught with difficulties. For instance, while the idea of distinct ethnic groups is a handy one for eggheads to conjure with, the practicalities of settling how many there are and who belongs to which would need more than expert reasoning. And that would be before anyone got around to fixing the quotas.

In Britain there is the added difficulty that a quota-based approach would almost certainly be illegal under present laws.

That may be why Peter Saville thinks the ethnic differences will become the "hottest issue of the 1990s". But whether or not he is proved right, unless top policy-makers find a sensitive way to resolve the dilemma, it looks to have enough explosive potential to out-disaster even Chernobyl.

**Michael Dixon**

*The Legacy of Chernobyl. Basil Blackwell. £19.95.

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**(Interviews in London)**

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**FINANCIAL TIMES** EUROPE'S BUSINESS NEWSPAPER

INVITE YOU TO A BUSINESS BREAKFAST

# EASTERN EUROPE: The Business Opportunity

AT THE SAVOY HOTEL, STRAND, LONDON WC2
ON WEDNESDAY 3rd OCTOBER
*8.30am-9.30am*

The talk will be given by John Mitchell, Regional Executive of ICI East Europe, and will cover:

- The Eastern European economies in perspective.
- Their relative development prospects.
- The major forces for development.
- The relevance and competitiveness of current economic activity – the example of the Chemical Industry.
- Major areas of opportunity for Western companies.
- A way forward for an international Western company in Eastern Europe.

John Mitchell is Regional Executive of ICI East Europe based at the Company's H.O. in London. He studied at Oxford University where he gained an MA in Geography. He began his career at ICI in Billingham, and following a two year posting to ICI Turkey as Assistant General Manager, he moved to ICI Agrochemicals. He has more than 20 years' experience of trade with East Europe, mainly with ICI Agrochemicals where latterly he was International Marketing Director. Currently he is the UK Chairman of the UK/USSR Working Group on Agriculture, Food Processing and Packaging.

(Places at the breakfast are strictly limited.)

*If you wish to attend, please contact Greg Ripley at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone: 071-836 3545.*

# Global Custody

## Product Management/Marketing

**London Bank** — **c£30,000**

Our client, one of the most respected names in the UK banking industry, is looking to expand their presence in the global custody services area. Your brief is to assist in product development, specify appropriate enhancements to the current computer systems, refine unit costing, measure profitability and prepare marketing materials whilst supporting sales.

You are likely to be a graduate aged between 25 and 35 with some five years' experience of product management in the financial sector and with exposure to the securities industry.

The package includes a mortgage interest subsidy, company car and profit sharing scheme. Interested candidates should in the first instance contact **Ann Semple** on **071-831 2000** or write enclosing a full curriculum vitae and current salary details to **Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.**

MP
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Reporting to the Marketing Director, you will maintain relationships with existing supporting intermediaries and develop new connections throughout the UK. The emphasis will be on unit trusts but you will require an understanding of the company's full range of products. You will also deal with enquiries from unit holders, monitor fund performance and statistics and ensure that accurate records are maintained. Involvement in product design, the preparation of promotional literature and advertising is also envisaged.

Ideally in your late 20's or 30's, your sales and marketing skills probably will have been acquired within a life office, investment management group or firm of stockbrokers. You must be team orientated, energetic, enthusiastic, well organised and seeking to develop a challenging career within an organisation at an exciting stage of its expansion.

The remuneration package includes a company car scheme, non contributory pension scheme, BUPA and bonus. A relocation package will be available if appropriate.

For a strictly confidential discussion please telephone or write quoting reference 1357 to **Robin Douglas at FLA, 58 Queen Street, Edinburgh EH2 3NS. Tel: 031 220 3689.**

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Please send full career information (including details of your degree and 'A' levels) to:
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Candidates should have experience of successfully managing discretionary funds in the Pacific markets as a whole or in Japan/Hong Kong/Singapore/Australia.

## INTERNATIONAL DEALING MANAGERS

Experienced international dealers are required who are familiar with international dealing regulations, settlement procedures etc.

## SENIOR MARKETING MANAGER

An experienced international marketing manager is sought to work with potential North American, European and Pacific Basin clients and their consultants.

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A central role for a mature manager to take responsibility for the day to day management of the office accounting and support functions. As the business grows the scope of this position will develop accordingly.

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Financial Times
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# CAREER CHOICE

The Financial Times proposes to publish a Survey on the above on

17th October 1990

**For a full editorial synopsis and advertisement details, please contact:**

Penny Robertson on
**071-873 3316**
or write to her at:

**Number One, Southwark Bridge, London SE1 9HL.**

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

# FX MANAGER

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Given the level of experience required, you are likely to be in your late 20's to early 30's and have a good academic record. You should have at least 5 years experience in foreign exchange with exposure to spot, forward, options and corporate dealing, but of equal importance will be your maturity, flexibility and excellent interpersonal skills. As well as utilising your prudential dealing and advisory skills, you will also need to manage a small team of committed individuals.

To attract candidates of the appropriate calibre, a very flexible package will be negotiated, including relocation expenses, a "night shift loading" and a profit share that together will contribute to a very high level of remuneration.

For further information in strict confidence, please telephone Raj Munde on 071 240 1040 in London or Sean Linkson on 010 61 2 256 0333 in Sydney during normal office hours.

If you prefer, forward a brief resumé to our Sydney or London office quoting Ref. No. 8701/2. Morgan & Banks Pty Ltd, Level 3, Royal Insurance Building, 1 York Street, Sydney NSW 2000, Australia or Morgan and Banks Search and Selection Plc, 114 St Martins Lane, London WC2N 4AZ.

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TRADE INDEMNITY PLC

# Area Reinsurance Manager

## Europe

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Candidates, preferably educated to degree level, will need to be fluent in Italian, English and ideally one other European language. They should also be fully conversant with all types of reinsurance, with a good knowledge of the market, augmented by excellent interpersonal skills.

The remuneration package is excellent including a car, non-contributory pension, performance bonus, profit share and mortgage subsidy.

Please write giving full details of your qualifications, experience and current salary to:

**Alan Suckling—*Manager, Personnel*,**
**Trade Indemnity plc,**
**12-34 Great Eastern Street,**
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Investment Personnel Manager
Norwich Union Fund Managers Limited
37 Surrey Street
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or ring John for an informal discussion on 0603 682963.

NORWICH UNION

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Aggressive City Bank seeks to strengthen its activities in Southern Europe and hence requires an experienced Marketing Officer, aged late 20s +, whose background reflects a good track record along with sound technical skills. The successful incumbent will join the Bank at Assistant Manager level and will be required to travel within Europe and the UK. An additional European language would obviously be considered a great advantage.

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Corporate Banking team of top UK merchant bank requires an individual to provide support and analysis in the marketing and structuring of leveraged finance deals and general corporate asset-based lending. It is anticipated that the successful candidate will have 2-3 years banking/analysis experience, exposure to leverage deals along with the personality to eventually handle a client-based development role.

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**Philip F. Taylor, Director of Sales & Marketing, Tradermade International Limited, 8 Archers Court, 48 Mason's Hill, Bromley, Kent BR2 9JG.**

TELECOM EIREANN

# TELECOMMUNICATIONS -IRELAND

## GENERAL MANAGER OF OVERSEAS BUSINESS

The Board of Ireland's national telecommunications provider has recently created an Overseas Business Division within the Company's Business Development Directorate. This appointment is a new position and the Division's mission will be to develop overseas business opportunities in support of the Company's strategy of maintaining revenue and profit growth into the 1990's.

The General Manager - Overseas Business will lead a small multi-disciplined team in identifying and evaluating overseas business opportunities. The responsibilities of the position will encompass the complete spectrum of new business development including negotiation of joint ventures, business planning and proposal formulation, overseas new business start-up, and subsequent business performance.

Candidates for the position must have the following:-

- A thorough knowledge of the telecommunications industry and familiarity with international telecommunications developments;
- A track record which demonstrates a strong entrepreneurial orientation;
- Excellent interpersonal skills;
- The ability to provide leadership and motivation in a team enviromment dedicated to innovation and new thinking.

The ideal candidate will have above average academic qualifications which would include an MBA or equivalent qualification. At least five years business experience will be required, some of which would include time spent in a corporate or strategic business development role within a large but dynamic organisation. Fluency in at least one Continental language would be a decided advantage.

This appointment offers an outstanding opportunity for a qualified business professional, providing the challenge of making a significant contribution to a dynamic organisation engaged in a growing market sector.

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Please respond, in complete confidence, to:-

*Eugene O'Neill*
Director
Executive Selection Division
Coopers & Lybrand
Associates Ltd.
Fitzwilton House
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Telephone: (01) 682222.

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***Please contact Jill Backhouse***

Jonathan Wren & Co. Ltd., Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Tel:071-623 1266, Fax:071-626 5258

Jonathan Wren Leasing

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***Please contact Peter Haynes***

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No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Tel:071-623 1266, Fax:071-626 5258

Jonathan Wren Leasing

## MIDDLE TICKET MARKETING
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Due to the continued success of our Client's UK leasing venture, they now seek to expand their marketing team. Suitable candidates will be high achievers who have complimented an Industrial Finance House training with a period in a specialist leasing company or broker. This is a superb opportunity to join the fast track of an innovative, well respected, international organisation.

***Please contact Fiona Donaldson***

Jonathan Wren & Co. Ltd., Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Tel:071-623 1266, Fax:071-626 5258

Jonathan Wren Leasing

Sedgwick James Credit Limited is an important part of the Sedgwick Group, Europe's largest insurance broker.

Due to growth and plans for further expansion we are seeking experienced candidates who are capable of producing new business and servicing strategically important accounts.

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ACCOUNTANCY COLUMN

# Insurers prepare for EC accounts directive

**By David Waller**

EVERY accountant knows that it is a matter of some difficulty to define whether a set of accounts is true and fair in the first place, and then even more difficult to explain what the words true and fair actually mean.

Two types of companies, namely certain types of banks and insurance companies, have traditionally enjoyed an exemption from the statutory requirement to produce "true and fair" figures. A directive from Brussels will remove that exemption for insurance companies.

Although the directive – on the annual accounts and consolidated accounts of insurance undertakings – is still in draft form, the UK's insurance industry has applied itself to the question and last week the Association of British Insurers produced its own proposals for accounting reform.

The ABI's consultative document is a complex piece of work which, when adopted as a statement of recommended practice (Sorp), will have a dramatic effect on the reported earnings of life companies, and a less pronounced but still material effect on composite insurers and other financial services companies owning life businesses.

According to some commentators, it will have a knock-on effect on other aspects of the life assurance business – for example, on product design, remuneration packages and computer systems. Actuaries Bacon & Woodrow say that it will also impose a heavy burden of new responsibilities on board directors who will have to make judgments on the numerous assumptions that will lie behind the new accounting numbers.

The traditional method of accounting for life business evolved in the nineteenth century and was intended to protect the interests of policyholders rather than to display a "true and fair" view of the company's profits performance in a given financial year.

**Under the "accruals basis," the timing of the recognition of profits is independent of the emergence of the statutory surplus**

Under the traditional method, all revenues and costs relating to long-term business are accumulated in a fund, while statutory rules govern how much can be transferred out of it. The reported profit – the so-called statutory surplus – represented actual cash available for distribution to shareholders.

"Because the statutory rules have the effect of limiting the amounts that can be transferred out of the fund in the early years of a policy," observes Mr Roger Whewell of KPMG Peat Marwick McLintock, "much of the profit cannot be recognised until the later stages of a policy, often many years after it was written.

"Indeed, in the case of many policies where initial expenses are high, the writing of the business will reduce the amount available for transfer and so the company will record a loss in the year in which the business is written even though the business is expected to be profitable."

The next difficulty is how allocate the profit from year to year over the life of the policy. At the end of the policy – the contract completed and the benefit paid – it ought to be possible to assess all the income and costs associated with the contract, and then decide that the profit on that particular contract was £X.

Looking ahead 15 or 20 years to the completion of the contract, how does one decide on the allocation of that profit of £X from year to year? Conceptually, the problem is no different from the one tackled in Statement of Standard Accounting Practice (SSAP) Number 9 (Accounting for Long-Term Contracts), but, in practice, accounting for a life policy is more complex than dealing with a construction project.

The ABI has alighted on what it calls the "accruals basis", under which the timing of the recognition of profits is independent of the emergence of the statutory surplus. The fundamental principle behind that method is that profits are posted over the term of the contract in a way which reflects "risks borne and work performed".

Under that arrangement, estimated cash flows are discounted using the rate of return that the company expects to earn on its investments. When doing the calculations, an adjustment is made to factor in "planned profit margins". That is done by increasing the projected expense levels by the expected profit margin.

Without the profit margin adjustment, the discounted figure would be the amount the company is allowed to distribute to shareholders and have just enough funds left to meet the expenses associated with the contract.

**One aim of the ABI's proposals is that life companies will be open to conventional investment analysis techniques**

"By adding planned profit margins to the best estimates of future cash flow," explains Mr Whewell, "only part of the profit is taken on Day One, the balance being spread over the term of the contract."

The technique is similar to the "embedded value" method employed by some financial services companies with life operations. To make a calculation of embedded value, one values the future cash flows using a discount rate representing the required rate of return to shareholders. According to Mr Whewell, profits tend to be volatile when using that method and it is difficult to assess from them how sustainable earnings will prove to be.

Moreover, embedded-value figures are not comparable with earnings figures produced by other types of companies. One aim of the ABI's proposals is that life companies' will be susceptible to conventional investment analysis techniques: that the companies will be able to be assessed with reference to price/earnings ratios, rather than on a yield basis.

Both balance sheets and reported profits will look bigger after the ABI's proposals are adopted, but will that have any effect on the companies' ability to pay dividends and thus on share rating?

Insofar as economic reality will not have changed one iota, the answer is, probably not.

However, some – such as Mr Kieran Poynter, a Price Waterhouse partner, and Mr Anthony Hobson, finance director of Legal & General – believe that the disclosure of (for example) assumptions on expense inflation, rates of investment return, and the breakdown of the components of current-year profits – will help the market to come to a better understanding of the quality of earnings.

There are bound to be teething troubles – Bacon & Woodrow points out that it will take a period of time before the system beds down, during which comparisons between companies will be more rather than less difficult.

A degree of initial confusion may be the price of truth and fairness.

*Draft proposal: Accounting For Shareholders' Profits in Long Term Business. Association of British Insurers, Aldermary House, 10-15, Queen St, London EC4N 1TT.*

ACCOUNTANCY APPOINTMENTS

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# Chief Accountant

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Reference 516

## Financial Controller

### TO £33,000 INC. BONUS + CAR

This newly created position calls for a qualified Accountant preferably CIMA to join the management team to establish the financial and administrative systems in this recently formed company. It is a rare opportunity to develop financial information and controls in a greenfield site and contribute to the creation of the company.
Reference 517

As the head of the financial function in each company, successful candidates should expect to be Directors in the short term as the PLC is developing rapidly and will recognise and reward personal commitment and contribution. It is a fast moving sales environment and interested candidates who feel that they best function in this kind of culture should send a detailed CV. quoting reference number to.

Staniforth-Endsor & Partners, 37 Avon Road, Hale, Cheshire WA15 0LB.
Tel: 061 927 7462. Telefax: 061 929 8098.

STANIFORTH·ENDSOR & Partners
CONSULTANTS IN ORGANISATIONAL COMPETITIVENESS

# PQE

## KENT — c £26,000

### Corporate Accountant

Due to the decentralisation of the accounting functions of this major service PLC, this position is available and provides you with the opportunity to progress into general management. Varied duties include advising the area management team, preparing business plans, financial analysis and the control of capital/revenue expenditure. You will also be motivating staff and developing systems. Ref: 16328.

Contact the PQE Specialist advising on this appointment at 081 770 0500 or the Manager at 104 The Broadway, Bexleyheath DA6 7DE 081 304 8211

## SOUTH COAST — to £35,000 with package

### Graduate Accountants

Sought by international financial institution for leading roles in development and co-ordination of accounting policies worldwide. Gain experience in UK management and financial accounting, group consolidations and US reporting. Position offers promotional prospects within group headquarters and operating division. Benefits include relocation assistance, bonus, subsidised mortgage, profit share, non-contributary pension and private medical insurance. Ref: 56999

Contact the PQE Specialist advising on this appointment at 0278 22232 or the Manager at 35/37 Church Street, Basingstoke, RG21 1QQ 0256 460 399

## LONDON E1 — to £25,000

### Management Accountant

A limited company trading in commodities with a turnover in excess of £70 million, is currently seeking a newly qualified Accountant to head its accounts department. Reporting directly to the Financial Controller, duties will include the detailed preparation of management accounts and statutory accounts. The company offers good prospects for progression. Ref: 18027

Contact the PQE Specialist advising on this appointment at 76 Cannon Street, EC4N 6AE 071 489 9997.

## MIDDLESEX — £30,000+car

### Finance Manager

Self-starter with at least 4 years post-qualification experience required to provide an all-round financial and management accounting function for blue chip market-leader. Knowledge of computer systems, planning and analysis and the ability to influence and motivate other members of management team are essential. The immediate rewards are excellent, the future possibilities outstanding. Ref: 27F241

Contact the PQE Specialist advising on this appointment at 0923 50350 or the Manager at 380 Chiswick High Road, W4 5TF 081 995 3601

## WEST MANCHESTER — c£22,000+ car

### Financial Controller

This leisure subsidiary of a large PLC organisation requires a man-manager to take full control of an expanding accounts department. This is a varied role that covers systems development, budgeting, managing computer systems and providing accurate up-to-date management information. The benefits package includes profit share, BUPA and pension scheme.
Ref: A1284

Contact the PQE Specialist advising on this appointment at 33 Cross Street Manchester M2 1NL. 061 834 8207.

## LONDON CENTRAL — c£27,000

### Accountant

Blue chip oil company seeks a recently qualified Accountant to establish a rewarding career in taxation. This will initially involve UK corporation tax and petroleum revenue tax compliance including Inland Revenue negotiations. Role will extend to cover management advice on offshore and onshore UK tax aspects. Computer literacy and good communication skills necessary. Ref: 18025

Contact the PQE Specialist advising on this appointment at 76 Cannon Street EC4N 6AR 071-489 9997

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(24 hour answering service)

REED... accountancy

# Qualified Accountant

## West London

## c. £32,500 + Car + Benefits

With a diverse portfolio of market-leading products and a strong commercial edge, this British FMCG group is enjoying an impressive record of success and strategic growth.

Co-ordinating the financial activities of a number of Sales and Distribution outlets, your brief will encompass everything from directing Branch Accountants to installing a suitable accounting environment for a major systems development project in 1991. Since you will be leading by example, your role will involve a limited amount of nationwide travel.

Together with previous exposure within a fast-moving operational environment, you should be able to demonstrate the professional credibility, man-management skills and interpersonal flair to build effective working relationships at all levels.

In return you can expect genuine prospects for career progression, along with a wide range of large company benefits, including non-contributory pension, BUPA and relocation expenses, where appropriate.

Write with full CV and daytime telephone number, to Patrick Donnelly, quoting ref: FT/071.

PD Consultants
MANAGEMENT · SELECTION
314/316 Vauxhall Bridge Road, London SW1V 1AA. Tel: 071-828 2273.

# HEAD OF GROUP ACCOUNTING

## C. LONDON

## c.£40,000 + Car + Benefits

This innovative plc has proved to be a major force within the field of publishing and communications. It has rapidly become a household named business with a T/O approaching £90M.

Such outstanding growth obviously has major implications on the demands for first rate financial and management information. These factors, combined with ambitious plans for further expansion have led to a need to appoint a talented accountant who can play a key role in the future development of the company.

As head of group accounting, you will assess the current systems and methodologies in place in all aspects of the finance department. You will be expected to act on your findings by streamlining procedures, injecting new refreshing ideas and continuing to enhance efficiency. The department should be readily available to handle future demands arising from the company's expansion.

Areas under your responsibility will include monthly reporting, statutory and treasury issues, day to day accounting and the motivation and guidance of a committed team in excess of 20. You will also liaise with other senior management and Directors as well as non-financial staff.

Candidate requirements are clear, a qualified accountant aged 30 to 40 with proven experience of running a buoyant finance department handling a high number of transactions.

Other essential qualities will include a diplomatic approach, the ability to train and motivate staff, a high level of business acumen and the desire to gain fast career progression based on results.

*Interested candidates should write to **Michael Herst** quoting MH825 enclosing a full curriculum vitae. Please reply by Monday 1st October, 1990.*

HARRISON WILLIS
EXECUTIVE SEARCH & SELECTION
Cardinal House, 39/40 Albemarle Street, London W1X 3FD. Tel: 071-629 4463.

# Hanson PLC

## Financial Comptroller

Hanson PLC requires an ambitious Financial Comptroller to join its small central management team based in London.

Hanson PLC is one of the foremost growth companies of the last two decades and is committed to a continuation of this growth both organically and by acquisition in the UK and the USA where half the group's businesses are located.

Many of the senior management positions in the group have been filled in the past from members of the central team and the position therefore offers enormous scope for an ambitious and energetic accountant.

The successful applicant, male or female, will be a chartered accountant, 30-35 with a good academic background and progressive experience in practice and industry.

A substantial salary will be paid and generous fringe benefits, including car, are available.

**Applications should be made to:**
**The Financial Director, Hanson PLC,**
**1 Grosvenor Place, London SW1X 7JH**

# FINANCIAL DIRECTOR

Hainault, Essex (Nr M25)
To £35,000 per annum + Car

Well established ambitious Glass and Window Company seeks Financial Director to take overall responsibility for all accounting and Financial functions. Computer experience essential.

Turnover of Company £10,000 p.a.
Please apply with CV to:
FMCB Management Consultants Limited
Hathaway House, Popes Drive, Finchley, London N3 1QF
Tel: 081-346 6446 Fax: 081-349 3990
For the attention of: Mr Paul Collin

## Appointments Advertising

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Jennifer Hudson ext 3607
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# RATHBONE

Rathbone UK Ltd, South Quay Plaza II, 183 Marsh Wall, London E14 9EU

Tel: 071-867 8899
Fax: 071-867 8095

**PROJECT ACCOUNTANT – FINANCIAL CONTROL**
**c.40K**

A UK finance house require a Senior Project Accountant working with the front desk on all derivatives and Swaps and new products. The successful applicant should be a qualified accountant with at least two years experience within a financial institution. Excellent prospects and strong career progression.

**"NEWLY QUALIFIED – CORPORATE FINANCE"**
**c.30K**

A UK merchant bank require a junior corporate finance executive to join their expanding team within the M & A and Capital Markets team.

As a Chartered Accountant within 1st time passes and a strong academic record this is an excellent opportunity to develop a career.

**"EUROPEAN CORPORATE FINANCE EXECUTIVE"**
**c.45K**

A leading UK based finance house require an experienced executive to specialise in European M & A. Ideally the successful applicant should have a legal or accounting background and be either French or Italian speaking. Extensive benefits and rewards.

**NEW ISSUES/CORPORATE FINANCE**

Coming from a Capital Markets background you will preferably have some form of legal qualification or be educated to degree level.

Your responsibilities will include negotiating and executing complex structured deals involving OTC, Options and invariably Swaps.

You will be involved in unique transactions involving private and public Eurobond Issues/Unit Trusts and Asset Packaging.

**For a confidential discussion on the above, please contact Mike Jones on 071-867 8899.**

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LILLEY

# Finance Director

## Lilley Developments Limited

c £40,000 + Excellent Package — Nottingham

**Outstanding opportunity for committed finance professional to contribute to the development of this rapidly expanding subsidiary of Lilley Plc.**

**THE COMPANY**

◇ Profitable, fast growing subsidiary of high profile and successful construction group.

◇ Major interests in property development, design and build and broad based construction projects.

◇ Dynamic management team with well planned approach to business development and profitability.

**THE POSITION**

◇ Total responsibility for finance and administration function. Work closely with senior executive team, reporting to Managing Director.

◇ Maintain and improve financial controls to exacting group standards.

◇ Strong emphasis on developing relations with joint venture partners.

**QUALIFICATIONS**

◇ Qualified Accountant, graduate calibre, preferred age 30-45.

◇ Demonstrable success in senior finance position; property development essential, construction or house building desirable.

◇ Commercial flair with drive, determination and confidence; resourceful and highly motivated.

Please write, enclosing full cv, Ref GJ3770
**78 St Vincent Street, Glasgow, G2 5UB**

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LONDON • 071-493 6392 • BIRMINGHAM • 021-233 4656 • MANCHESTER • 0625 539953
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# Director of International Audit

Worldwide Entertainment Group

To £40,000 + Car + Bonus

*Our client, a leading international entertainment organisation* with a turnover approaching $500m, has expanded rapidly in recent years. A dynamic management team coupled with innovative marketing strategies has been effective in producing accelerated organic growth, leading to substantial business opportunities globally. *The company culture is both competitive* and highly entrepreneurial.

Due to recent internal promotion, a vacancy has arisen for a Director of International Audit. Reporting directly to the Chief Financial Officer and managing a team of qualified accountants, *the appointee will immediately assume overall responsibility for* the planning, review and implementation of financial and operational controls world-wide. This will largely incorporate the management and co-ordination of organisational audit *programmes, the review of* operating subsidiaries and *licensee* agreements internationally, and special *investigations into the* viability and effectiveness of long term contracts and partnership arrangements.

This opportunity will appeal to a qualified accountant (aged 30–40) with a record of achievement to date, either within a commercial environment or public practice. An ability to both impartially assess organisational problems, and liaise at all levels in a challenging environment, is a prerequisite.

The benefits include an attractive remuneration package together with fully expensed car and the potential to progress rapidly to senior management status.

**For further information in strict confidence contact Brian Hamill on 071-287 6285 (evenings and weekends 071-627 4974). Alternatively, forward a brief resumé to our London office quoting Ref: BH 644.**

# WALKER HAMILL

Financial Recruitment Consultants

*29-30 Kingly Street*
*London W1R 5LB*

Tel: 071 287 6285
Fax: 071 287 6270

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# Financial Director

***Property Group***

***Central London,***

***c £60,000, Car, Benefits***

This is an outstanding opportunity to join a *highly successful, privately-owned property group with a diverse development/investment portfolio spread* throughout the UK. *The group* is in a strong position to continue its successful growth and development, despite current market conditions, both in the UK and overseas.

The requirement is for a high calibre Financial Director, with experience in the property sector, to assume full control of the accounting and financial functions. Reporting to the Group Managing Director, the Financial Director will be expected to make a significant contribution to the *development and implementation of financial controls* and *reporting within the group. Managing* a small accounting department, responsibilities encompass budgeting, forecasting, monthly/annual reporting and accounting, cash management and banking relationships.

The successful candidate, probably a graduate FCA aged over 35, will need to demonstrate excellent technical and communications skills, strong commercial awareness and the presence and personality to liaise at the highest levels both within the group and with third parties.

The remuneration package is excellent and includes a performance related bonus and a full range of benefits.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *L.D. Hadi*, **Hoggett Bowers plc**, *1/2 Hanover Street*, LONDON, *W1R 9WB*. 071-734 6852, Fax: 071-734 3738, *quoting Ref: H29028/FT*.

# Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

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# FINANCE DIRECTOR

**West of Scotland**
**Large scale engineering contracts**
**First class remuneration package**

This Leading engineering contractor has earned its enviable reputation through a combination of sound commercial judgement and engineering excellence. In preparation for the next stage of business expansion, the company now wishes to strengthen its executive team by appointing a Finance *Director to take overall control of the finance function and address the key issues affecting a* growing organisation.

With a highly experienced staff of 26 operating sophisticated accounting and management *information systems, your* role will be to keep the Board fully informed of the financial effect of current and proposed business and of growth opportunities including possible acquisitions. The position also has a significant international dimension and requires involvement in constructing secure funding packages for foreign contracts; accounting for multi-currency operations and UK and international taxation.

Aged 35-45 and a qualified accountant, you will have a depth and breadth of contracting experience, ideally gained in a construction or engineering environment.

*Your excellent interpersonal and communication skills* will be combined with the personal drive and commitment to make a major contribution to achieving demanding growth objectives.

The remuneration package has been designed to attract *candidates of the highest calibre and the position offers an outstanding opportunity for further* career development with this highly successful subsidiary of a major international group.

To apply, please *send your detailed CV stating current salary to* David Burgon *quoting* Ref. 4457/FT or telephone his secretary for an application form. **PA Consulting Group.** Number Two Blythswood Square, Glasgow G2 4AD. Tel: 041-221 3954. No details will be divulged to our client without the candidates' consent.

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# Financial Controller

High profile commercial role
with the emphasis on change and development

North London — c.£30,000 + car + benefits

Our client is a member of the Asea Brown Boveri Group. This UK subsidiary has a turnover of £12m and an excellent reputation in the Building and Service Maintenance Industry. Recent acquisitions and organic growth will enable it to become the market leader.

The Financial Controller will report to and work closely with the Managing Director. In this highly visible role you will be totally responsible for the Financial Management of the Company and have the freedom to develop appropriate management information systems and to inject new ideas and thinking into the Company's financial strategy and planning. You will also be responsible for broadening the role to encompass company secretarial issues.

*You should have a degree and be a qualified accountant with management experience, ideally gained in a* professionally managed service environment. Your in-depth knowledge of computerised accounting systems must be complemented with the ability, flair and commitment to make a significant contribution to both the commercial and financial management of the Company.

If you're ambitious and proactive, this position offers an exciting career move with the opportunity to develop beyond the immediate role.

***Please write in confidence with career details to our consultant, Richard Simpson, quoting ref: 37521, MSL International (UK) Ltd, Pilgrim House, 2/6 William Street, Windsor, Berkshire SL4 0BA. Telephone: (0753) 842044.***

MSL International

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# Finance Director

**West Sussex** — **£45k Package + Car + Benefits**

Our Client is the acknowledged leader in a rapidly expanding niche service market, currently experiencing c30% growth. This provides a strong basis for continued expansion and increased profitability.

Working closely with other members of the Board, the position of Finance Director carries full responsibility for strategic development, and control of all finance issues via an experienced accounts department. This is a truly commercial role and, whilst technical competence is assumed, business acumen must be clearly demonstrable.

The candidate we seek will be a qualified accountant with proven commercial skills gained at the sharp end of a competitive dynamic business. Confidence to negotiate on the company's behalf with professionals from various disciplines, together with excellent interpersonal and managerial skills are prerequisite to this appointment.

Interested, ambitious candidates, aged over 30 should forward a comprehensive curriculum vitae quoting reference 901 to
**Diane Forrester ACA,**
**Michael Page Finance,**
**Executive Division, Page House,**
**39-41 Parker Street,**
**London WC2B 5LH,**
**telephone 071-831 2000.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

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Brewer Morris
Pure Taxation Recruitment

# SENIOR TAX ADVISER

**Package Indicator**
**c£50,000**

For futher information contact:
Gavin Burgess
on
(071) 936 2040
Brewer Morris, Ludgate House, 107 Fleet Street, London EC4A 2AB.
Evenings & Weekends:
(081) 469 2213

Our client is a highly respected, blue-chip U.S. investment banking firm, with a truly global presence and considerable influence in all sectors of the industry.

The UK and European tax function based in London is considered to be one of the most pro-active and respected tax teams within the investment community. Recent internal restructuring has generated the need to appoint a Senior Tax Adviser.

Reporting to the Director of Tax, key elements of the role include the development of tax related financial instruments for the firm's product areas, international and local tax planning and some involvement in overseeing tax compliance work.

Suitable candidates will be senior taxation professionals, with either a legal or qualified accounting background and at least 3 years post-qualification relevant tax experience. Dealing at the highest levels within the firm, the candidate will need to combine intellect with creativity; and assertiveness with a high degree of tact and maturity.

The package available is highly competitive including a substantial performance related bonus.

# Treasurers

**London**
**£40-60,000 + Car**
Major firm of accountants require graduate calibre candidates with corporate treasury or banking experience to join their treasury management consultancy division. Salary will be commensurate with experience. Age indicator 30-40.

**London**
**c£45,000 + Car**
Major UK Group seeks Project Finance Executive with previous experience of raising funds for consortiums and leasing structures. Candidates should have commercial acumen and some international travel will be necessary.

**Home Counties**
**£35,000 + Car**
Multinational Group seeks Assistant Group Treasurer with responsibilities for fx and cash management, bank relationships and special projects. Age 26-32. Good career prospects.

**City**
**£30,000 + Substantial Bonus**
Financial services Group seeks graduate with credit and risk management experience.

**West of London**
**c£28,000 + Car**
UK plc, t/o £3 Bn wish to recruit qualified accountant seeking two years treasury experience to report to Group Treasurer. Proven success will lead to promotion within Group.

**West End**
**£22,000**
Excellent opportunity for part qualified accountant to join the treasury function of this UK fmcg Group with t/o £3 Bn.

Please telephone or write enclosing full curriculum vitae quoting ref 433 to:
Nigel Hopkins FCA.
97 Jermyn Street, London SW1Y 6JE
Tel: 071-839 4572 Fax: 071-925 2336

**Cartwright Hopkins**
FINANCIAL SELECTION AND SEARCH

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## Glaxo Pharmaceuticals UK Limited

## FINANCIAL SYSTEMS MANAGEMENT

West of London
c£30,000
Car & Benefits

With sales of £2.6 billion and pre-tax profits in excess of £1 billion, Glaxo is one of the UK's Top Ten companies and a world leader in ethical pharmaceuticals.

Glaxo Pharmaceuticals UK Ltd, the Group's UK sales, marketing and manufacturing company, currently based in Greenford, will be moving shortly to prestigious new offices at Stockley Park in Middlesex. The Company is investing heavily in sophisticated fully integrated financial and management information systems. As part of a small team, your role will be to ensure that their full potential is realised and that the company remains at the leading edge of systems technology. This will involve devising systems strategies, setting systems development plans, and managing their implementation. You will be assisted by experienced systems analysts and programmers in the technical aspect of development.

This high profile role will give you the opportunity to make a significant contribution at an early stage and provide an excellent springboard from which to develop your career with Glaxo.

You will be a qualified accountant, preferably a graduate aged 24 to 28, with strong analytical skills and an aptitude for problem solving. Previous systems development experience would be useful but is not a prerequisite. You may be with a multinational company or this could be your first move from a major firm of accountants. The desire and ability to progress quickly in a fast-moving environment is essential.

To learn more about joining one of the UK's most successful companies please write to Sue Rossiter, Director, Barrett Webb Limited, Boston Road, Henley-on-Thames, Oxon, RG9 1DY, or fax her on (0491) 579825. For an informal preliminary discussion please telephone (0491) 410766. Complete discretion is of course assured.

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# LIFFE Project Accountant

## £30,000 + Car + Discretionary Bonus

The London International Financial Futures Exchange has experienced rapid expansion since its inauguration in 1982 with current trading volumes currently averaging in excess of 130,000 per day. This continued growth has necessitated the development of prestigious new premises in Cannon Street.

The newly created role of Project Accountant will take initial responsibility for the financial control of the £25 million, 18 month project. This will involve budget preparation, monitoring expenditure and close liaison with the non-accounting professionals involved. There will be a high degree of autonomy although working within a young and bright management accounting section.

The successful candidate will be 25-30 years of age with a professional accounting qualification. A proven track record within a commercial environment and familiarisation with spreadsheet applications is important. You will need the confidence and communications skills to make presentations to senior management.

This high profile role will provide an excellent stepping stone into senior management within the City which is anticipated to lead to challenging career opportunities following successful completion of the project.

Interested candidates should write to **Andrew Norton at Michael Page Finance, 39-41 Parker Street, London WC2B 5LH or phone him on 071-831 2000.**

**Michael Page Finance**
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

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# AUDIT MANAGER

**Kent** **c£30,000 + Car**

Our client, one of the most successful and profitable companies in its industry, with a projected turnover of c£200 million in 1991, have firmly established themselves as market leaders. The company now seeks to further expand their UK activities and are set to actively exploit the new business opportunities that exist within Europe. In order to achieve these goals they have recently restructured the business, and this has resulted in the need to recruit a commercially aware Audit Manager.

Reporting to the Finance Director, and liaising closely with financial and operational managers, this is a highly visible role responsible for reviewing both new and existing businesses. This will include; improving the financial, management and operational controls, particularly focusing on areas of major risk, implementing new systems and identifying opportunities for improving efficiency.

Candidates are likely to be aged 30-45 and will have excellent internal audit experience within a commercial or industrial organisation. Individuals must also be confident, diplomatic and possess strong interpersonal and communication skills.

Interested candidates should either write to, or call David Rush at AMS.

Please call or write to DAVID RUSH on 071-405 4571 Eves & W'end 081-467 6822

**A M S** APPLIED MANAGEMENT SCIENCES LIMITED
26-28 Bedford Row London WC1R 4HE Facsimile 071-242 1411

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# Central role at PLC HQ

# GROUP FINANCIAL ACCOUNTANT

**London W1**

**c£35,000 + car**

Having a turnover exceeding £200m derived from a broad range of manufacturing interests our client has recently decided to strengthen further its finance function.

Within this dynamic environment a need has been recognised for a Chartered Accountant with sound practical and technical ability. As part of a small head office team you will work closely with the Board in the provision of statutory and management information and with the operating divisions in the direction of their businesses. There will be an opportunity in the short term to specialise or develop expertise in one or more key areas such as planning, treasury or systems.

Aged 28-33, post-qualifying experience will include the use of reporting, consolidation and analytical skills gained in a sophisticated, quoted group where presentational talents are important.

The role will develop further and offers attractive career opportunities to individuals with drive and ambition.

**Please write, enclosing a career/salary history and daytime telephone number, to John Sleigh FCCA quoting reference J/945/F.**

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# Move into Management Consultancy

**Central London**

**To £40,000 + Car**

Since its launch in 1988 our client, a growing firm of Management Consultants, has successfully developed a varied blue chip client base.

They currently seek to recruit a qualified accountant, aged 25-35 to work within their financial systems team. The post will involve the specification, selection and implementation of computerised financial systems. Initially you will be part of a small team working with clients at all levels. New members are quickly given responsibility for handling major assignments.

The successful candidate will have some experience of one or more of the major accounting packages and the ability to assist in the future development of the firm's business.

In return for your commitment they offer a highly competitive salary package, car, bonus, pension scheme etc.

To apply please contact Lee Acton, Senior Consultant on 071-233 5204 or fax your c.v. to him on 071-233 6971.

**J|P|M|S RECRUITMENT CONSULTANTS**
JPMS Recruitment Consultants
3 Catherine Place
Westminster London SW1E 6DX
Telephone: 071-233 5204
Facsimile: 071-233 6971

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# FINANCE DIRECTOR

**W. Sussex** **c£40-45,000 + Car + Bonus**

This established market leader, providing high quality and innovative products to the building services sector, was recently acquired by a major UK plc. Although the company has a strong business base, with sales of c£26 million, the company has suffered from weak financial management and poor operational controls.

As a senior member of the executive board, the Finance Director, in addition to being fully responsible for the finance and company secretarial functions, will also play a key role in the operational and strategic management of the company, using a hands-on style.

Candidates will be qualified accountants who possess strong commercial, interpersonal and management skills. Although individuals are likely to be aged 35-45, experience and ability are the most important factors. Early availability would also be an advantage. Remuneration is excellent and includes a fully expensed executive car, good bonus, pension, medical and a service contract.

Interested candidates should either write to or call David Rush at AMS.

Please call or write to DAVID RUSH on 071-405 4571 Eves & W'end 081-467 6822

**A M S** APPLIED MANAGEMENT SCIENCES LIMITED
26-28 Bedford Row London WC1R 4HE Facsimile 071-242 1411

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# European Corporate Audit

**Major U.S. Multinational offers career opportunities to newly/recently qualified accountants wishing to gain European experience.**

**LONDON**

**Or other major European City location**

**Excellent Salary**

This U.S. Multinational is a technology-based company supplying advanced electronics products and services to industry and commerce. With worldwide revenues in excess of $5 billion it operates in the USA, Canada and Europe. There is now a requirement for individuals who are interested in developing an international career within this diverse group.

You will be working in a small, closely-knit but high profile group reporting directly to top management in the U.S. Assignments will include financial audits, analysis of operational procedures and controls together with ad hoc assignments. This will involve extensive travel in Western Europe with return visits to your home base at weekends.

Candidates must be professionally qualified accountants or equivalent with experience gained within a large firm of practising accountants. They must be capable of working autonomously and they should have some aptitude for languages although language training will be provided.

This position offers an excellent stepping stone into Europe for a newly qualified accountant with the opportunity to work throughout Europe. It should be considered as a more rewarding alternative for someone already thinking of transferring to a large practising firm in Europe. You will be working with professional colleagues in a congenial atmosphere. The excellent salary offered allows capital accumulation. You will be based in London or in any other major European city of your choice.

Interested candidates should write in confidence to:: Nicholson International (recruitment consultants), Imperial Buildings, 48/56 Kingsway, London WC2B 6DX quoting reference 9128 or fax details on 071 404 8128 or contact Koen Breken on 071 404 5501

**NICHOLSON INTERNATIONAL**

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# FINANCIAL DIRECTORS

To secure the best appointments at senior level needs more than good advice, accurate career objectives and succinct presentation.

InterExec not only provides career advice to successful executives but also retains the unique facility of our subsidiary company InterMex to bridge the critical gap between counselling and the right job.

InterMex maintains a unique data base which comprises 6,000 unadvertised vacancies per annum, providing the only confidential Inplacement® Service.

If you are considering a move or need a new challenge then telephone (071-930 5041) for an exploratory meeting without obligation.

**InterExec Plc**
**Landseer House,**
**19 Charing Cross Rd,**
**LONDON WC2H 0ES.**
**Tel: 071-930 5041**

INTEREXEC

# SENIOR FINANCIAL MANAGERS

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# CAREER CHOICE

The Financial Times proposes to publish a Survey on the above on
**17th October 1990**

For a full editorial synopsis and advertisement details, please contact
**Penny Robertson**
**on 071-873 3316**
**or write to her at:**

**Number One Southwark Bridge, London SE1 9HL**

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Appointments Advertising appears every Wednesday, Thursday & Friday (International Edition only)

## Financial Director

**to £40,000, Car, Benefits**

**N Midlands**

This is a new appointment providing a close working relationship with the opportunistic Chairman as he progresses his expansion plans in both the UK and mainland Europe. Current turnover is £12 million, there is a strong customer base and the company enjoys the backing of major institutions.

Quality management information is essential in any business development programme and it will be a prime responsibility of the Financial Director to review and enhance the present computer based systems. The analysis of business opportunities will be an ongoing challenge requiring strategic thinking, detailed analysis, sound judgement and application.

Candidates must be qualified, probably from the profession, and will ideally speak some German. A dedication to achieving excellence in the finance function and a track record demonstrating a significant contribution to a successful manufacturing company is expected. Increasing general management responsibility and equity are real prospects given performance in this demanding role.

**Candidates should send a comprehensive c.v. or telephone for an application form to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester, M3 2LE. Tel: 061-839 2000 quoting reference (F.T.394F).**

Howgate Sable

EXECUTIVE SEARCH AND SELECTION

## Appointments Advertising

appears every **Wednesday & Thursday Friday** (International Edition only )

For further information please call:

Jennifer Hudson
071-873 3607

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

## Group Financial Controller

**c£35,000 + Package**
**London**

**Film/Video Processing and Post Production**

Our client is a well established company specialising in all aspects of film and video processing. From their locations in Soho they are able to offer a range of services to clients in the film, TV and video industry ranging from film processing, video duplication and video post production, to the hire and sales of film and video equipment.

Although set up some 50 years ago, the company is currently undergoing a period of reorganisation and consequently needs to recruit a Group Financial Controller to join the new management team. After this restructuring phase, the company intends to grow both organically and by acquisition.

The Group Financial Controller will report to and work closely with the Managing Director and will therefore be involved in all aspects of commercial decision making. Specific duties will involve the production of financial and management accounting information, systems design and implementation and review of capital expenditure proposals as well as supervising the accounts team.

Candidates should be qualified accountants with a minimum of two years' commercial experience. The ideal candidate will be a highly motivated self-starter and be commercially minded with the ability to communicate at all levels. Candidates should also have a confident and dynamic style, coupled with a pro-active approach to problem solving and the ability to develop beyond the immediate role.

A salary of around £35,000 is offered, together with a bonus, company car, pension, private health care and five weeks' holiday.

Please write, in confidence, to Séan Connolly at the address below, quoting reference SHC.1502.

**STOY HAYWARD CONSULTING** Horwath

8 Baker Street, London W1M 1DA Fax: 071 487 3686 A member of Horwath International

## INTERNAL CONSULTANT

### New proactive role with progressive UK Group

**South Yorkshire** **£30k + bonus + car + bens.**

An active policy of strategic growth has enabled our client to develop from a strong core activity into new business sectors, making it a major player in the provision of services to industry. This philosophy, together with a commitment to the highest standards of quality and customer service, is reflected in its excellent profit growth record and turnover approaching £100m.

For this new senior management appointment, reporting directly to the Financial Director, a positive approach is required to meet the challenge of a high-profile role. Your initial brief will be to develop an appropriate strategy and methodology. Your small team will undertake a critical appraisal of organisational performance, making recommendations that will enable the Group to further improve operational efficiency and setting standards of best practice throughout all areas of the business.

You will be a qualified Accountant or MBA, commercially astute, with the enthusiasm and determination to excel in this demanding role. A degree of personal mobility will be required, primarily in the North and Midlands. For the right candidate prospects for progression, particularly into general management, are excellent.

**To apply, please contact Jackie Hardisty at our Leeds office.** **Ref LD266.**

ASB
ASB RECRUITMENT LTD

Quebec House, Quebec Street, Leeds LS1 2HA. **Tel. 0532-446811**
Fax: 0532 446140

Also at: Birmingham, Liverpool, Manchester and Nottingham

**A Division of ASB Bennett Kinnings Plc**

## Common Fund for Commodities, seeks candidates to fill the following posts:

**LEGAL ADVISOR/SPECIAL ASSISTANT TO MANAGING DIRECTOR at P5 Level**

Under the direct authority of the Managing Director, this officer will perform the following duties:

- Providing legal advice to the Managing Director and to the various units in the secretariat on matters concerning international law as well as commercial and administrative law;
- Providing legal advice to the meetings of the governing bodies of the Fund, inter alia, on the interpretation of the Agreement Establishing the Fund and related international agreements and decisions;
- Acting as Conference Secretary to the meetings of the governing bodies of the Fund and in this capacity supervise the preparation, translation and distribution of the relevant documents, and assisting the Chairman during the meeting;
- Advising on legal aspects and, when necessary actively participating in the preparation, negotiation and execution and follow-up of loan, credit and other agreements and contracts by the Fund;
- Acting as Special Assistant to the Managing Director;
- Preparing of reports, fact sheets, news letters and other information material.

Qualification/experience: Advanced university degree in Law plus 16 years professional experience.

**TREASURY OFFICER at P4 LEVEL**

Under the supervision of the Chief Finance Officer, this officer will be responsible for:

- Effecting the payment of disbursements approved by the Accountant from the Fund's liquid-resources by issuing cheques or authorizing bank transfers;
- Analysing balance sheets of financial institutions;
- Assisting the Chief Finance Officer with analysis of economic and financial data to ensure optimum investment decision;
- Obtaining quotations, analysing investment proposals and making recommendations to the Chief Finance Officer.
- Co-ordinating the collection and follow-up of subscriptions/contributions from Member countries;
- Assisting the Chief Finance Officer in the preparation of periodic reports on investments for the governing bodies;
- Other related duties as required.

Qualifications/experience: Advanced university degree in accounting, finance, business administration, banking, commerce, economics or equivalent professional qualifications, plus 8 to 10 years professional experience.

**INTERNAL AUDITOR at P3 Level**

Directly responsible to the Managing Director, the Internal Auditor will perform the following duties:

- Preparing and implementing the Fund's annual audit programme;
- Reviewing, evaluating and reporting on the soundness adequacy and application of systems, procedures and related internal controls of the Fund;
- Preparing reports and observations for the Fund's staff;
- Preparing yearly documents for the perusal of the External Auditors;
- Other related duties as required.

Qualifications/experience: Advanced university degree in accounting, finance, business administration, banking, commerce, economics or equivalent professional qualifications, plus 5 to 8 years professional experience.

**ASSISTANT PROJECT OFFICER at P3 Level**

Under the supervision of the Chief Operations Officer, the main responsibility of this officer will be:

- Preparation of draft project, loan and guarantee agreements;
- Financial projections of Second Account activities;
- Preparation of summaries of project proposals and reports for submission to the Executive Board and the Consultative Committee.

Qualifications/experience: Practical experience in project preparation and administration. Advanced university degree in economics, law, social sciences or finance plus 8 years professional experience.

Fluency in English; working knowledge of other United Nations official languages (Arabic, Chinese, French, Russian or Spanish an asset for all above posts and working knowledge of French and/or Spanish highly desirable for post of Legal Advisor/Special Assistant.

Qualified women are encouraged to apply.
Deadline for Applications: 1 November 1990
Likely Assumption Date: As from 1 March 1991 for all above posts and early 1991 for post of Legal Advisor/Special Assistant.

The common Fund for Commodities, as an international financial institution, offers competitive international salaries, benefits and allowances, comparable to the United Nations salary scales. Initial contract for two years.

All applications in English accompanied by detailed curricula vitae, including date of birth and nationality to:

**Managing Director, Common Fund for Commodities, Atrium, Strawinskylaan 3097, 1077 ZX Amsterdam The Netherlands. Fax Number: (020) 441205.**

Due to expected volume of applications to be received, only finalists will be contacted for interviews.

## DIVISIONAL FINANCIAL CONTROLLER

**Greater Manchester** **c. £30,000, car + benefits**

The BODDINGTON Group plc

The Hotel and Restaurant Division is a key division of The Boddington Group Plc. It is profitable, has a turnover of £35 million and has ambitious plans for continued organic and acquisitive growth. It seeks a Divisional Financial Controller to manage the finance team and support an entrepreneurial Divisional Board in ensuring ongoing profitable development.

### The Role

- Motivate and direct finance function.
- Enhance systems and reporting procedures.
- Report to Divisional Finance Director.

### Qualifications

- Graduate. Qualified accountant. Preferably ACA. Late 20's/early 30's.
- Mature. Commercially aware. Promotable.
- Previous experience in retail/leisure multi-site operations with strong financial disciplines desirable.

**Please reply in writing enclosing full cv. ref M477**

ASB
ASB RECRUITMENT LTD.

Amethyst House, Spring Gardens Manchester M2 1EA. **Tel: 061-834 0618**
Fax: 061-832 9123

Also at Birmingham, Leeds and Liverpool

**A Division of ASB Barnett Kinnings Plc.**

## Group Accountant

### Publishing

**London SW1 £33,000 + car**

Our client, a well respected and profitable publishing group, is looking to recruit a young, qualified accountant to the newly created position of Group Accountant.

Reporting to the Group Financial Director, the role will take responsibility for the Group's financial accounting and management information activities on a daily basis and ensure that accounting and computing policy is implemented to provide a cost effective service for the Group.

The Group is situated in newly refurbished prestigious offices within easy reach of Victoria and Vauxhall main line and underground stations.

Applicants for the position should be qualified financial accountants with a minimum of three years post qualification experience and who are looking to make a positive contribution in, what may be, their first commercial role. Familiarity with modern computing techniques is essential and candidates should be able to demonstrate a commercially orientated and progressive career development path to date.

Interested applicants should send a comprehensive curriculum vitae with salary details, a daytime telephone number and quoting reference 6117/45 to:

**Jeff Cottrell, Senior Consultant
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
London EC1N 8JA**

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

## Silcock Express — GROUP ACCOUNTANT

**Essex** **c£28,000 + Car**

Silcock Express Holdings is a renowned market leader within specialist distribution, a position attained by continual innovation and commitment to customer service, employing 1700 persons and a turnover in excess of £100 million.

The Company is currently integrating its European operations and is looking to recruit a young qualified Chartered Accountant to strengthen the committed senior management team.

Reporting directly to the Group Managing Director, the successful candidate will have specific responsibility for the provision of group financial and management accounts, group treasury and taxation and actively assist the operating subsidiaries in the direction of their business.

Applicants should possess the confidence, interpersonal skills and commercial awareness to perform effectively at senior management level within a competitive and customer led environment. A working knowledge of French or Spanish would be a distinct advantage.

The career prospects and rewards are excellent for the right candidate, with the opportunity to move into a line management role. Salary is negotiable c£28,000 + car and benefits package. Please telephone or write in confidence to Pamela Jones at George Henderson & Partners, The Marlborough Rooms, 68 High Street, Weybridge, Surrey KT13 8BL. Tel(0932) 858438. Fax: (0932) 855814.

**GEORGE HENDERSON & PARTNERS** *Executive Search & Selection*

London • Manchester

## GROUP FINANCIAL CONTROLLER

**LONDON £42,500 Package + Car**

My client, a recognised market leader in the engineering and manufacturing industries, can boast a consistent record of achievements since its inauguration some fifty years ago. The organisation now wish to capitalise upon this success through an aggressive development programme combining a strategy of acquisition with the concentrated growth of its organic businesses.

An integral aspect of the group's future planning is the appointment of a dynamic, qualified Accountant (preferably Chartered) to control and direct the corporate finance func tion. Reporting to the Managing Director, initial responsibilities will include the upgrading of the computerised accounting system, the creation of improved financial controls and reporting procedures and the provision of a comprehensive service to the main board.

As Company Secretary and a prominent member of the executive decision making team, you will be required to make a positive contribution to the overall direction and running of the company as it develops further new markets.

As a proven man-manager, you will also co-ordinate and overview the accounting operations of the U.K. and the group's various overseas subsidiaries.

Initiative and the willingness to undertake international travel of equal importance.

This position will appeal to high calibre professionals who will relish the rewards of progressing to a lead role. The salary, bonus and car reflect the importance the organisation attaches to this key appointment.

***For further information please contact Mark Stewart, Caswell Abbott Executive Search and Selection, 201 Victoria Street, London, SW1E 5NE, telephone number 071 834 5744.***

Caswell Abbott
Executive Search & Selection

## FINANCIAL CONTROLLER

### Malawi

Applications are invited from suitably qualified and experienced persons for a long established organisation.

The person appointed will take overall control of the finances and financial planning, and the administration of the Finance Department including the training of staff.

Applicants must be qualified Accountants with either ACA, ACCA, or ICMA plus extensive experience of not less than 5 years in a senior position.

The successful candidate will be expected to be highly motivated and preferably have the ability to develop the computerised accounting systems now in operation. Effective communication skills are indispensible for this challenging position.

The commencing salary will be commensurate with qualifications and experience. In addition to a tax-free sterling salary, a 25% gratuity is payable at the end of the 2-year contract period. Benefits include free passages, education allowance, subsidised housing, and a company car.

**Applications giving full curriculum vitae and names of at least two referees should be sent to: KPMG Peat Marwick, P.O. Box 508, Blantyre, Malawi. Fax: (265) 620575. (Ref. ET/FS/LWB).
To arrive not later than 10th October, 1990.**

Applications from short-listed candidates only will be acknowledged.

# REGIONAL ACCOUNTANTS

*Key roles in the day-to-day management of a business*

C.£28K + CAR
TWO APPOINTMENTS:
AYLESFORD (KENT) AND WELWYN GARDEN CITY

Safeway plc, part of the Argyll Group, is a rapidly growing and highly successful leading food retailer, with group sales of £4.1bn and profits of £228m. Over the last 4 years Safeway has more than doubled its sales and almost quadrupled its profits.

The role of Regional Accountant has been created to add a new dimension to each of our six regional teams. It will play a particularly vital part in the development and monitoring of the Business Action Plan, systems and management reporting.

Responsible to the Regional Director, your brief will range through the evaluation and justification of major capital and revenue projects; the monitoring and reporting of regional performance; the design and implementation of performance monitoring systems; the identification and exploitation of short and medium term profit opportunities and the management of the Regional Office.

You will be a qualified Accountant, with at least a 2-year track record in a similar-sized business environment. As a result, you will have gained considerable 'inside' experience of administrative and operational procedures within a devolved industry.

This is an exceptional opportunity for an astute professional who enjoys the front-line of business management and wants to be in a position which can influence regional strategy. Career prospects are excellent and so are the rewards.

Please write with cv to: Cathy Mercer, Personnel Manager, Safeway plc, Safeway House, 6 Millington Road, Hayes, Middlesex UB3 4AY. Tel: 081-756 2174.

SAFEWAY

# FINANCIAL CONTROLLER

£29,000 + Car

C. London

Our Client, a small but progressive division of a major advertising Group, seeks to strengthen their head office finance team.

Reporting to the M.D. of the division, you will be fully responsible for the production of financial information for the company. In addition you will advise Directors and Senior Managers on the financial implications of their actions and improve the reporting on individual projects.

Aged 25-30 and a qualified Accountant with 1-2 years' PQE within a commercial environment, your experience should encompass both management and financial accounting and the use of computerised systems. A good communicator and self motivated, you should possess a practical approach to problem solving.

Please apply directly to Penny Ridgett at Robert Half, Freepost Walter House, Bedford Street, 418 The Strand, London WC2R OBR. Telephone: 071-836 3545 or evenings on 081-853 4009. Alternatively, fax your details on 071-836 4942.

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RH ROBERT HALF LONDON

# Shandwick

## GROUP AUDIT MANAGER

**c. £45,000 AND USUAL BENEFITS.**

Shandwick plc is the world's leading public relations group, with extensive operations in the UK, Europe, North America and the Far East. This new appointment arises from the Group's rapid and successful growth.

Reporting to the Group Chairman, the Group Audit Manager will be responsible for ensuring that the systems of internal control, as laid down by the Group, are maintained throughout the world. Based in London, considerable international travel may be required. Career opportunities are excellent.

Candidates, probably aged between 30-35, must be qualified accountants with internal and management auditing experience in an international Group. The successful candidate will be self-motivated and have the ability to deal sensitively but firmly with all levels of management. A second degree/MBA and language ability would be useful.

**Please send full career details - in confidence - to**
**Clive Ward, Shandwick plc, 61 Grosvenor Street, London W1X 9DA.**

# DIVISIONAL ACCOUNTANT

**KNITWEAR DIVISION**

*c.£25k + 2 litre Car + Benefits* *Alfreton - Derbyshire*

We are part of the Remploy group, a major UK employer boasting a turnover in excess of £100m, with many market leaders. Already a major player in the export field and actively seeking to increase our market share and profitability, we are looking for a Qualified Accountant, who reflects our progressive attitude, to help our business grow.

Your track record in MANUFACTURING must include ACTIVE PARTICIPATION IN THE DEVELOPMENT OF THE BUSINESS as well as using main frame and micro-computer systems to elicit management information.

You will have excellent interpersonal skills and be able to exhibit the type of team involvement we must have to continue to grow successfully.

Reporting to the Divisional Manager, you will be responsible for the management of the Central Accounting function for 10 factories (Scotland and Midlands).

We offer career development and a rare challenge to the right applicant. Additional benefits include private health plan and company pension.

Please write with current C.V. to:-

Area Personnel Manager, Remploy Limited,
Bramall Lane, Sheffield S2 4RA.

Remploy

*We are an equal opportunities employer*

# PARLEZ-VOUS FRANCAIS?

Our client is a rapidly expanding hi-tech group, based in the UK, who urgently requires an ACCOUNTANT to manage the finances of two of its fledgling subsidiaries in PARIS.

As well as ensuring the prompt production of the monthly accounting and managment information package, the successful applicant will be responsible for the preparation of cash flows and budgets, safe custody of inventories and the design and implementation of systems.

Fluent French and a knowledge of French accounting principles are essential. Previous experience of working in France is desirable.

If you are interested in this excellent career opportunity, then please write, in the first instance, to David Staddon, RA Advertising, Ames House,Kings Cross Lane, South Nutfield, Redhill, Surrey RH1 5NG


Occidental Petroleum (Caledonia) Limited is currently engaged in its most active period since the Company's North Sea operations began almost 20 years ago.

Part of the multi-national Occidental Group, Oxy manages the operation of the Claymore and Scapa fields and the Flotta terminal, as well as the Piper B and Saltire Field development projects, due on-stream in the next 2 years.

In recognition of this intensified activity, Oxy is moving its UK oil and gas headquarters from London to Aberdeen, creating two management positions in our newly structured Financial Planning and Analysis department.

# Manager — Economic Evaluation & Budgets

**CIRCA £35,000**

Managing the operation of the Economic Analysis Section, consisting of 4 Analysts, you would report the Section's findings to Management, advising on the economic implications of proposed activities. You would also prepare information required for Oxy's UK and US financial statements and compile cases to assist management in negotiations with potential UK tariff opportunities. In addition, you would co-ordinate the preparation of budgets for all Oxy operated licenses and would ensure that capital and project costs of exploration, new developments and existing operations are properly budgeted, approved and funded and included in internal plans and forecasts.

A qualified accountant with a degree in Economics, Business Studies or Engineering, you will have between 5 and 10 years' experience in oil industry joint venture accounting, budgeting and economic and financial analysis and UK taxation including several years at a supervisory level. A working knowledge of PC based spreadsheets and mainframe database systems is required. Excellent communication skills are essential. (Ref MEEB)

# Supervisor — Financial Analysis

**CIRCA £30,000**

Overseeing a team of three Financial Analysts, you would initiate the analysis of operating results, exposures and events and report the findings of these analyses to Management, for use in decision making and financial reporting. In addition to the evaluation of regular results you would deal with unstructured situations as they arise, identifying and interpreting the commercial implications for the company.

A qualified accountant, preferably educated to degree level, you will have a minimum of 5 years' post - qualified experience in a multi-national organisation, ideally oil related. Familiarity with US accounting and reporting requirements is necessary as well as thorough knowledge of UK North Sea Tax principles. You will have experience of working in a supervisory capacity and have excellent communication and presentation skills. (Ref SFA)

An excellent remuneration package is offered for each of these posts including contributory pension scheme, life assurance, BUPA, and sports and social club. A Company car may also be provided for some posts.

Our package also includes generous relocation assistance which comprises temporary living expenses, payment of surveyor's and legal fees, removal expenses, disturbance allowance and home sales assistance.

In parallel with your working environment, the quality of life which Aberdeen and the surrounding area can offer is exceptional.

Please write, with full C.V., quoting reference number, to:
**Human Resources Dept,**
**Occidental Petroleum (Caledonia) Limited,**
**1 Claymore Drive, Bridge of Don,**
**Aberdeen AB23 8GD.**

OXY

*North East coastline — South of Cruden Bay, Aberdeenshire.*

# FINANCE DIRECTOR

Hertfordshire — Aged 32 - 38 — c£40,000 + Car + Bonus

This young UK subsidiary of an established international group has grown rapidly within the highly competitive field of specialist consulting. With a client base ranging from large corporations to small dynamic companies, our client is committed to strengthen its position for future growth.

In order to meet this aim we are seeking a Finance Director to complement the management team. Reporting to the Managing Director, you will be required to co-ordinate and proactively manage the finance function, and be able to give strategic input to business direction.

Specific responsibilities will include strict financial reporting, budgeting and planning, treasury management, systems development and liaison with external institutions.

The successful candidate, a qualified accountant, will need to display a practical and mature approach to business issues, and will have the ability to manage a small team, existing currently within a creative environment.

This role should appeal to a finance professional who wishes to make a commercial contribution to a company's development. Several years of commercial experience will therefore be a prerequisite.

Interested applicants should telephone Bianca Coulter on 071-437 0464 (Fax on 071-437 0597), or write to her, enclosing a detailed CV, at the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 071-437 0464

# FINANCIAL CONTROLLER - SOUTH WEST
## £25,000 + 2 LITRE CAR

Subsidiary of Expanding PLC
Fast Track Commercial Environment

This is an outstanding opportunity to join a recently acquired subsidiary of Eurocopy PLC, a highly successful and rapidly expanding quoted company, which is one of the United Kingdom's largest independent suppliers of photocopying equipment.

Reporting to the local finance director you will lead a small team responsible for the accounting and financial control of the subsidiary company. Key tasks will include the timely production of financial and mangement information, budgeting, capital expenditure control, systems development and enhancement.

Candidates should be qualified accountants of graduate calibre, probably aged 25 to 32, with a strong commercial approach. Good computer skills and a hands on management approach are further requirements for this key position. In addition you must be highly motivated with strong leadership and management abilities and be able to demonstrate first class technical and interpersonal skills.

This is a high profile role within this acquisitive group and prospects are limited only by individual ability.

Please apply in writing under private & confidential cover to:

Sorley Greig - Finance Director,
Equipu Plc, Ashridge Road,
Bristol BS12 4QU

EURO